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IRS PHILADELPHIA SERVICE CENTER PROBLEMS

HEARINGS

BEFORE THE

SUBCOMMITTEE ON
ADMINISTRATIVE PRACTICE AND PROCEDURE

OF THE

COMMITTEE ON THE JUDICIARY
UNITED STATES SENATE

NINETY-NINTH CONGRESS

FIRST SESSION

ON

INQUIRIES OF PRACTICES AND PROCEDURES OF THE INTERNAL REVENUE PHILADELPHIA SERVICE CENTER

PHILADELPHIA, PA

JUNE 28, 1985

WASHINGTON, DC

NOVEMBER 19, 1985

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IRS PHILADELPHIA SERVICE CENTER PROBLEMS

FRIDAY, JUNE 28, 1985

U.S. Senate,
Committee on the Judiciary,
Subcommittee on Administrative Practice and Procedure,
Philadelphia, PA.

The subcommittee met, pursuant to notice, at 9:30 a.m., in the city council chamber, City Hall, Philadelphia, PA. Hon. Arlen Specter (chairman of the Subcommittee on Juvenile Justice) presiding.

Also present: Senator John Heinz.

OPENING STATEMENT OF HON. ARLEN SPECTER, A U.S. SENATOR FROM THE STATE OF PENNSYLVANIA

Senator Specter. Good morning, ladies and gentlemen. This hearing of the Subcommittee on Administrative Practice and Procedure of the Committee on the Judiciary will now commence. Senator Charles Grassley, my colleague who is chairman of this subcommittee on which I serve, has graciously arranged for these hearings to be held in Philadelphia. I am delighted to be joined this morning by my distinguished colleague, Senator John Heinz, and it is a pleasure to be in the city council chambers. The microphones were not turned on until the signal was given because there have been some famous incidents in this room where whispered comments into open microphones caused more news, more events, more controversy than perhaps that which was intended to be said. So I am delighted to see some excellent precautionary matters.

The subcommittee, the Senate, Senator Heinz and I, will inquire this morning into practices and procedures of the Internal Revenue Service in their Philadelphia Service Center. It is an open story about the enormous problems which confront that center in serving the taxpayers of the region.

There are reports of hundreds of thousands of refund checks not being submitted ranging as high as 800,000, a figure which we will inquire into today. There are reports of the diversion of enormous numbers of calls, limited number of telephone lines, inability of taxpayers to reach Internal Revenue Service to determine the status of their affairs. A great many citizens are awaiting refunds of money which they desperately need and funds which have been delayed so long. The issue also has arisen concerning the payment of interest. Reports are now being circulated that full interest is not being paid according to Internal Revenue Service procedures.

I commend my colleague, Senator Heinz, for his leadership on this subject with his key position on the Finance Committee of the U.S. Senate. Our concern today is to determine what the facts are and to assure that corrective steps are taken and our view is that if additional legislation is necessary, and I can assure everyone that there is a spirit in the Congress of the United States, certainly in the Senate, and I believe in the House as well, to undertake whatever legislative changes are necessary to see to it that the citizens get justice and that is appropriate service on their tax returns, refunds which are timely and interest payments which are fair and in accordance with the law.

With that very brief overview, I am delighted to yield at this time to my distinguished colleague, Senator John Heinz.

OPENING STATEMENT OF HON. JOHN HEINZ, A U.S. SENATOR FROM THE STATE OF PENNSYLVANIA

Senator Heinz. Senator Specter, I thank you. Before the microphones were turned on you may have seen Senator Specter and I whispering to each other and what I was really saying to him based on this rather intriguing headline from today's USA Today which says "taxpayers, just wait until next year, IRS woes expected to linger." There happens to be a little picture of the plane in Puerto Rico which has been retitled IRS Taxpayer Service by me. I was saying to Senator Specter that maybe we should offer IRS top management to Mr. Berri in exchange for the hostages but I think Mr. Berri would probably see through that as a transparent attempt to undermine his ability of getting anything done.

If I sound a little frustrated with the Internal Revenue Service, it is because I am. I held a hearing here March 18 in the Federal building on these problems. At that time we were assured by the IRS that every single refund check was going to go out on time; that is to say, as the IRS defines time, by June first.

I conducted other hearings in Pittsburgh, have got the General Accounting Office, the investigatory arm of Congress, to look into a number of matters. Three areas which they are still investigating are the false dunning notices that hit a lot of Pennsylvania and area businesses, several thousand of them in the spring in this year, the issue that our witnesses are all too familiar with, which is the late refund issue and, third, the inability of the Problems Resolution Office, some people call it the taxpayers service office, to—its inability to function, which is a nationwide problem. The first two problems are regional here in region three.

As we sit here today there are some 250,000 taxpayers who have not received the refunds due them. You at the witness table are four, but you, and you are unique in your courage in coming forward, I think, but you are not unique in terms of your problem. There are at least 249,996 other people like you, I am sorry to say.

I have also heard from a confidential source at the Internal Revenue Service that 500,000 tax returns, among them maybe yours, probably most of the people who have not received their refunds, plus a lot of other people who did not have a refund due them that the IRS has lost or had destroyed or had the computer erase 500,000 tax returns of American taxpayers.

I don't think the IRS has any idea of the dire economic straits into which they cast people when they fail to come forward.

About 1 month ago Commissioner Egger announced his new policy to solve the problem and be fair to people. His new policy was that if you have a relatively small, to him, small refund check coming, $500, $750, $1,000, enough to make your mortgage payments for 2 or 3 months, enough to pay for your kids' education for that quarter, or go to camp, or pay the household bills for 2, or 3, or 4 months, he would not mail those checks first. He would mail the bigger checks out first to the people who either can afford it, who itemize on their return as little people don't itemize on their return, most middle-income people don't itemize on their return, income you pay is cash gone, and I have not only criticized that decision but I am releasing today the specifics of legislation that I will be introducing when Congress reconvenes on the week after next, the substance of which is very straightforward.

The legislation will simply say any taxpayer that files early, any time up to and including April 15, will get interest paid starting no later than 45 days after the date of filing.

Now, the reason that's significant is right now the IRS pays interest only as of April 15 and only if after 45 days they don't send you a refund check. That means if you get a refund check before June 1 they don't owe you anything even if you filed in March, or February, or January as a lot of people do. Our legislation should force the IRS to process people's early filed refund requests returns on a timely basis or at least you will know that if you have to go to the bank and pay interest to the bank, or the credit union, or whoever, at least you are going to be made relatively whole by the IRS and they won't have this June 1 safe haven where they can keep your money for 5 or 6 months and not have to pay you 1 cent interest. It should also address the other problem which is pretending that all the small returns which are usually the ones that are filed early, maybe some of yours, can just then be ignored because they don't amount, in the IRS' view, to a lot of money.

My principal—my legislation is pretty simple. Early filers shouldn't have to be penalized for Internal Revenue Service bungling.

Mr. Chairman, I thank you for an opportunity to make a few comments. I just might add that I hope the witnesses will introduce themselves for the benefit of those listening and those behind. I must say I am deeply indebted to all of them. Each of them have written to my office in the first instance asking for help, Mr. McCafferey, Ms. Mooney, Ms. Hill—I can't remember if Mr. Olkowski—the three of you contacted my office in the first instance and didn't know they were going to be television stars. I am sorry that you have to be.

Senator SPECTER. Thank you very much, Senator Heinz. We will now proceed to the taxpayers who are assembled here. We have quite a long list of witnesses so we would ask you to observe the time lights—the green signifies the time which is permitting you to proceed and the yellow is a 1-minute warning and the red is a stop sign. We are very pleased to have as our first witness Mr. Brion Sirine. We thank you for joining us and we look forward to your testimony.

OPENING STATEMENT OF BRION SIRINE

Mr. **Sirine**. Thank you, Senators. My name is Sirine. I am usually quite peaceful, but its hard to be serene when dealing with the IRS. I'm a single parent. I have two children. I was divorced last year. The divorce was a financial as well as emotional setback so this year I decided to file very early, unlike usual. I usually procrastinate with everything in life but this year I decided to turn over a new leaf and send in my forms. I sent them in on February 13. I was very proud of myself the next day I started bragging to my friends that I had filed so early this year. Then I started reading the articles in the newspapers about IRS and getting depressed.

I am due a $1,305 return. Of that $1,300 is going to my child's camp this summer, child care. I can't keep them at home, they are out of school now. They have to be somewhere. The camps this year wanted everything early, so I have had to borrow money from my former wife and her father to pay these camps. This is an embarrassing situation, but I am really stuck. I called IRS repeatedly but didn't get through and then finally gave up when I started reading all the articles in the newspapers and talking to friends about the difficulty they had in trying to reach IRS.

Then, on May 30, I sent a letter to Senator Heinz' office and heard from his staff and was recently told to refile.

So that's the story in a nutshell, it's not very detailed, but that's it.

Senator **Specter**. Thank you very much, Mr. Sirine. I'd like now to turn to Mrs. Herbert Mooney. Mrs Mooney, thank you for joining us.

OPENING STATEMENT OF MRS. HERBERT MOONEY

Mrs. **Mooney**. Thank you for having me here.

Mr. **Specter**. It's your fault. You were on TV one night and I thought he's talking about the IRS. I will call him. Your office referred me to yours and I spoke to a Skip Irvine who is the only one who would ever speak to me about it. I have called the IRS.

Senator **Heinz**. Would Skip Irvine please stand up? He just left to take another call. He's terrific. I thank you.

Mrs. **Mooney**. Well, he did listen to me.

Senator **Specter**. Mrs. Mooney, you might be interested to know that Senator Heinz and I work cooperatively on so many matters and among citizen inquiries, instead of having duplication, we divide them and Senator Heinz had this area of responsibility.

Mrs. **Mooney**. Well, I understood that.

Senator **Heinz**. We have a good system where Senator Specter takes care of veterans, a variety of areas and we do the IRS. Little did we know.

Mrs. **Mooney**. I will tell you he got lucky and you didn't, or Skip Irvine didn't.

Senator **Heinz**. Please proceed.

Mrs. **Mooney**. Well, I have called numerous times at the IRS office at their number and they are nothing but rude. They do not wish to hear anything you have to say. They want to get you off the phone.

I did file on January 20 and we refiled on April 23. I know that was too early but I was honestly told by the IRS and Mrs. Wallace at the 800 number to refile. I waited 2 weeks longer than what they had told me to refile. They told me on four occasions I would hear from the IRS in writing and to this date the only one I have heard from is Skip Irvine who called us on Wednesday of this week to see if we had gotten any correspondence from them because your office had sent them a letter; and the only one else that I spoke to that was not too happy to hear from me was Roscoe Egger on Tuesday morning.

Senator **Heinz**. I understand you called him.

Mrs. **Mooney**. Yes, I did. He wanted to know what I wanted and how I had his phone number and I told him I was told he's the only one who has the authority to issue me a check and I would like to have $4,298 because I do desperately need it.

Senator **Heinz**. What did he say?

Mrs. **Mooney**. Pardon me?

Senator **Heinz**. What did he say?

Mrs. **Mooney**. He said: "Who are you? Where are you from? I can't do this," and he referred me to someone else who did call from Washington from the IRS. They did verify that while I had filed on January 20 and April 23 has not yet come up in the computer. And that's it. Thank you.

Senator **Specter**. Thank you very much, Mrs. Mooney. We will come back to questions later unless Senator Heinz wants to question now.

I'd like now to turn to Mr. Robert McCafferey and thank you for joining us.

OPENING STATEMENT OF ROBERT H. McCAFFEREY

Mr. **McCafferey**. My name is Robert McCafferey. I originally filed my income tax January 31 after waiting the 9 weeks that they said is necessary I contacted the office again on April 11 and was told that my refund was credited toward my 1985 taxes without my approval. I didn't request this. They confirmed that over the phone that I had not requested this and that I had never requested it in any previous tax filings.

I asked them what I had to do at that point. The first person told me to fill out a form, there was a form to fill out and to write for it. I decided to go there in person, asked for the form. They told me that there was no form, to write a letter. As I was writing the letter someone else told me that that was wrong, that I had to fill out a form.

Finally it was decided that there is no correct form and I handed in the letter and was told that the matter should be settled in about 4 weeks and in 4 weeks I contacted them again. They said the matter will be—they couldn't check into it for another 4 weeks which would be 8 weeks after April 11. I contacted them again and at first they told me that they had no idea of any letter that I was speaking of, they had no copy of it and didn't know anything about what was going on.

I asked for a supervisor and was hung up on. It was a Mrs. Robinson. Finally I talked with a Mr. Schwartz who told me that, yes, they did have a copy of the letter and that it was being processed and it might possibly take another 8 weeks and at that point I contacted Senator Heinz' office and to date the only correspondence I have had about my taxes has been from Senator Heinz' office.

Senator **Specter**. Thank you very much, Mr. McCafferey. I'd like to turn now to Mr. Stanley Olkowski. Welcome, Mr. Olkowski.

OPENING STATEMENT OF STANLEY OLKOWSKI

Mr. **Olkowski**. Senator Heinz, Senator Specter, ladies and gentlemen. On February 16 my wife and I filed a joint return. Having recently been married, and also recently purchased a house, we thought it would take a little longer to process our return. We waited until April 15 before we actually contacted the IRS and we know there are two phone numbers, one phone number gets you teletax computer generated information, the other phone number let's you speak to an actual human being.

On April 15 I spoke to Ms. Smith at the 574-9900 number and she told me that no record of my return exists. On three dates I called the computer generated information number and was told that no record of my return was in the file. On May 6 I decided to send a duplicate of my return to the IRS. I sent this registered mail. On May 13 I received the return receipt and it was signed by a representative, I assume a representative of the IRS by the name of Sophie I guess it's Klemis. It was stamped and dated May 8, 1985.

On May 20 I called the computer number again and was told no record of my return exists. On May 20 I telephoned Mr. Wiggins at the IRS and he told me no record of my return exists. On May 27 I telephoned Ms. Carpenter again at IRS and she told me that no record of my return exists and it wouldn't do me any good to call back for 2 weeks because no other information would be available at that time. I persisted. I called back the very next week and I talked to a Mr. Trensulo and he told me no record of my return exists. At this point I got a little frustrated and I saw a representative of the IRS on TV. I don't remember the name, and was told that the announcement over the television was that anyone that couldn't prove that they had filed before April 15 would get no interest on their return.

This got me a little upset and I contacted Jeannie Lauer at Senator Specter's office, told her my plight and she asked me to write a letter to the Senator explaining what had gone on and I did that and sent a copy of the return in, sent a copy of the return receipt and all this was sent to I assume Mr. Egger at IRS.

I waited another week until June 10 when I telephoned Ms. Weathers and she said they were still working on my return and I should call back June 17. June 17 I called back and was told that no record of my return exists and I couldn't get through to speak to an IRS representative.

I'd like to note here that the average telephone call that I made to either the computer or to the IRS representative number was about 25 times.

On June 24 I called and could not get through to the computer and the computer said no record of my return exists and I didn't get the name of the person I spoke to at IRS but he told me I should write my Congressman and as of now I have no official word that my return is, my refund is forthcoming. I got a phone call from the Senator's office yesterday saying that there is a possibility I could get my refund by July 9.

Senator **Heinz**. Did they say anything about the interest that you would be due for a late payment by the IRS?

Mr. **Olkowski**. No mention of the interest came up in any of my conversations with them.

Senator **Heinz**. Well, I think your stories speak for themselves. As I said earlier, you are unique in being here but your problems aren't unique. Senator Specter and I are going to continue to work with all of you on trying to resolve those individual problems. One of the reasons that we want to stay in touch with you is to track the next step in what you have described as an endless journey with the Internal Revenue Service. I will be very interested in knowing whether you have received, you ultimately receive any interest and I want—on the assumption that at some point you will, I will be interested in knowing how many times they have to try to pay you the right amount.

Just a few of the—just to make you feel better, we are getting a lot of people coming to us. We have an accountant in Maryland who reports that his client was owed $865. He received his refund. That's the good news. In fact, he received seven checks, not one, but seven checks, each in the amount of $612. Now that's service.

The father of a 9-year-old Lancaster boy, Lancaster, PA can breathe easily now about his son's allowance. The IRS sent his son a check for $16,072.40 and his father had requested that the $11 that he owed be applied toward his next year's taxes.

Finally, a Philadelphia, a lawyer, wouldn't you know—Philadelphia lawyers are really lucky people—received a check for $32,426 and he was owed nothing at all.

You are just in the beginning of this process, I am sorry to say. Senator Specter, I really—it's hard for me to ask any questions of this panel because I know their case history so well and they speak volumes.

Senator **Specter**. For the record——

Senator **Heinz**. I just wanted to thank them for their cooperation with you and our office.

Senator **Specter**. A few questions to fill out the record a bit. One area of concern is the kind of hardship which you have sustained as a result of not having the refunds on time. Mr. Sirine has already testified that he was compelled to take out a loan because he had earmarked the money for his son's summer camp. Mrs. Mooney, what inconvenience or hardship did you suffer, if any?

Mrs. **Mooney**. It was ought my own doing. When we were going to be receiving our——

Senator **Specter**. Can you pull the microphone just a little closer?

Mrs. **Mooney**. I had counted on the income tax money to lend it to someone that needed it. Even though it didn't come in, I knew it was going to come in so I still lent that money. Then my husband sustained an injury to his back. The 7 weeks following his going off from work every other week our paychecks were wrong by 1 or 2 days. I have been waiting for a paycheck since last summer. We did receive it but there was a stop payment on that check and every bill I have almost is in default. I am going——

Senator **Specter**. And you are waiting for quite a large sum of money?

Mrs. **Mooney**. Yes. So I am hoping the panel that holds a 401K for us, retirement plan, I am hoping the panel will allow us to draw the money out. I have no place else to go and the person we lent the money to, I can't ask them for the money back. They needed it and it was of my own doing that I gave it, and this is just a sequence of events and like you say, we are only at the beginning of the road. I do know if we get a check it may not be cashable. My accountant won't let me cash it if it's not correct.

Senator **Specter**. Mr. Olkowski, what inconvenience, hardship, if any, have you sustained?

Mr. **Olkowski**. Approximately $2,600 of my return which is over $4,000 is to go for payments on my house. Approximately $800 of the rest of the money has to go to paying for a new washer-dryer that I bought. I had to borrow the money from a relative to get the washer-dryer which unfortunately, as most people know, as soon as you send in your IRS return, something breaks down in your house when you expect a refund and sure enough, something broke down and I had to get a new washer-dryer.

Senator **Specter**. Mr. Olkowski, let me get to the next question on my mind and that is the number of telephone calls you had to make before you got a response. You testified that you had to call 25 times to get a response. Was that the number of calls you had to make each time before you got through?

Mr. **Olkowski**. Yes. Every time I tried to call it took at least 25 attempts before I got through.

Senator **Specter**. And what happens when you call? Busy Signal?

Mr. **Olkowski**. Busy signal or a computer comes on and says please hold, an IRS representative will be with you shortly and I either hung up on it or no one ever got on the phone.

There were times when I called at 4 and I specifically remember calling at 4:23 and 4:25 two different days and in the middle of my conversation I was hung up on because that was the end of the business day.

Senator **Specter**. Mrs. Mooney, you have testified in your opening statement that somebody was rude to you. Could you amplify on that, please?

Mrs. **Mooney**. Yes. When I would call, the girl or the man would answer very abruptly and I finally got the hang of it. You call, you say hello, do you have a computer available?

Well, how long has it been since you filed your taxes?

They are very gruff. They will try desperately to get you off the phone.

Senator **Specter**. How many times did you have to call before getting through?

Mrs. **Mooney**. I could spend as much as 15 to 25 minutes constantly dialing, listen for the clicking in the phone to know I am going to get a busy signal or a recording and at the end of this time I would finally get an answer.

Senator Specter. Mr. McCafferey, how frequently did you have to call to get through?

Mr. McCafferey. Around the same amount of time, about 20 times average, 15, 20 minutes, sitting at a phone dialing.

Senator Heinz. I have got one last question for Mr. McCafferey. Mr. McCafferey, as I understand it, the IRS's inability to give you a refund came at a rather inopportune time. Would you care to tell us about that?

Mr. McCafferey. To say the least. I was planning to get married the end of July and filing early to have the return to use it toward funds and we were forced to just borrow the money from the bank.

Senator Heinz. You were planning in effect on using it for your honeymoon?

Mr. McCafferey. Right.

Senator Specter. Do you normally file an itemized tax return?

Mr. McCafferey. Yes, I always do.

Senator Specter. So now you are going to get a larger itemized deduction next year than you planned on thanks to the interest from the bank but you are going to be able to get married and take your honeymoon anyway even if it's on credit.

Mr. McCafferey. Yes.

Senator Heinz. Thank you very much.

Mr. McCafferey. Thanks.

Senator Specter. Thank you, Senator Heinz. Thank you very much, Mrs. Mooney, Mr. Olkowski, and Mr. McCafferey.

As Senator Heinz has already stated, we realize that you are only representative of thousands, tens of thousands, maybe hundreds of thousands. We thank you for appearing here.

I'd like now to call the next panel, Mr. David Zalles, accounting practitioner, Mr. John Grimes, a tax preparer, Mr. Zalles is from Lafayette Hill, PA, Mr. Grimes from Horsham, PA.

[Pause.]

Senator Specter. We welcome you gentlemen here. We appreciate your being with us and we turn to you first, Mr. Zalles. You may proceed.

OPENING STATEMENT OF DAVID ZALLES, CPA

Mr. Zalles. You have copies of correspondence that I have written to you as of yesterday and today. Let me start at the end and then work backward because a lot of the interested people——

Senator Specter. Would you start by telling us your profession and your background and how you come to this issue?

Mr. Zalles. I am sorry. I am a CPA, sole practitioner. I have approximately 75 clients that I do tax return work for. I am also a computer and systems analyst and, therefore, have a good bit of experience in the types of problems that could happen with computers. Because of three isolated instances involving different clients I have come across three specifically different keystone issues that are involving the IRS and the problems that are happening throughout the country, and that's the background on that. If you want me to go somewhat chronologically starting back in March——

Senator Specter. Yes, please.

Mr. **Zalles**. Starting back in March of this year one of my clients had received a refund and could not figure out why he had gotten the refund. A week later in accordance with the IRS's practices he got a notice indicating it was an error in the tax on Social Security. In checking further I was able to determine that there apparently is a lack of proper instructions within the Internal Revenue to keypunch the tax exempt interest as part of the calculation of taxable Social Security. Their instructions indicate that it's supposed to be a marginal notation in the column to the left of line 21 but apparently their own Internal keypunch instructions did not indicate that and, therefore, that amount has been omitted from entry and, therefore, is not included in their own calculations.

As a result, they are sending out thousands of dollars, millions of dollars of refunds throughout the country to people who had taxable Social Security based upon tax exempt interest.

Next I had a situation of a client who got a refund on June 17, dated June 14, which included interest. So we were one of the lucky ones. In trying to figure out where the amount of the interest came from, I thought it was calculated at 11 percent instead of 13 percent. I contacted the Wall Street Journal, who contacted the IRS in New York and determined that in fact it was 13 percent. However, the IRS had made an arbitrary decision to deduct 10 days of interest off of everybody's taxes in accordance with section 6611, a copy of which I have submitted to you which permits them to not pay interest for up to 30 days between the date that they decide the check is to go out and the date that the Treasury ultimately sent out the check. I subsequently verified this with the IRS through Public Affairs in Philadelphia.

Next, I had a client who received a check on June 10 dated May 30 with no interest on it. I was subsequently able to determine through coordination with the IRS's Public Affairs Department that this occurred because the IRS made a duplicate, apparently a double run on May 30 of those refunds they were sending out on May 30 and those that they were going to mail on June 7. As everyone knows, they have been mailed on Fridays to receive them the following Mondays, so I think the prima facie evidence is that it was mailed on June 7 with the May 30 date and received on June 10 without interest.

Senator **Heinz**. I didn't quite follow you but I get the picture but I didn't get the specifics.

Mr. **Zalles**. On which one?

Senator **Heinz**. On this last item.

Mr. **Zalles**. The IRS apparently made two shifts of runs on May 30, those checks that they intended to mail on May 30 and those checks they intended to mail on June 7. Even though the check was dated May 30, it was mailed on June 7, it was received on June 10. No interest was included.

Senator **Heinz**. That's exactly what I thought you said. In the hearing I had here on March 18 I predicted that the IRS was going to pull exactly that stunt and, oh, no, we are not going to do anything like that. We caught them red handed. Thank you very much.

Mr. **Zalles**. Now, last and I think very importantly, although the light is on, I hope you will indulge me for a moment longer. Earlier this week I called the IRS office concerning the procedures for filing of duplicate returns. After having sent someone into the Norristown office, where in the forms department they said they did not know anything about an excess refund kit that was supposed to be available. I called the Philadelphia office and I spoke to the young lady on the phone and I asked her what the procedure was for a taxpayer to get a copy of this kit or could they call on the phone and have it sent out to them, could they stop into the office, could a practitioner, an accountant, get copies, sets of these so that we could use them for our clients.

The woman insisted that there is no such thing that exists. I said well, would you explain to me how I can be holding one in my hand and you say it does not exist?

She said I am sorry, there is no such document.

Since then I have been trying to deal with and hopefully successfully Dan Seklecki of the IRS Public Affairs Department so that they will deal with the newspapers and hopefully publish for everyone's benefit the procedures, the pink expedite refund slip that is supposed to go on the tax refund. The envelopes are graciously postage free from the IRS but if you call the IRS they deny that these things exists even though it's possible to get them.

Last, I think very importantly for your purposes and everyone to understand and hopefully you can do something concerning this situation, is that as of this point the only people in the United States who know that their tax returns had been properly processed are No. 1, those who got refunds and No. 2, any who have gotten any type of an audit or error notice.

At this point anybody who has filed their tax return with a check, the fact that the check has come through the banking system means only that the Government removed the check, checked off on the tax return that the amount is agreed and it's come back. There is no verification that that tax return has ever been processed through the computer.

Second, if anyone has taken and indicated they wanted a refund to be applied to next year's tax return, they will not know until they file next year whether or not the Government has processed that tax return.

I, therefore, implore you to either set a congressional act or that the IRS will of its own volition send out acknowledgments to every taxpayer in the United States whose tax returns they have processed, acknowledging that it is on file. The only alternative that anybody has to that is, and I don't think the IRS would want us to do it, is to start calling the IRS to try and get somebody who has a terminal who can call up the record on the computer to determine whether or not we have filed the tax returns.

Senator SPECTER. Thank you, Mr. Zalles. There are a number of questions I have, I know Senator Heinz will have questions too, but we will move on to John Grimes who is a tax preparer from Horsham, PA. If you would begin by giving us your own background in this profession.

OPENING STATEMENT OF JOHN GRIMES

Mr. Grimes. I am a tax preparer and I have been preparing taxes for approximately 13 years and I prepare them in the home so I know just about what is going on.

I have a nice clientele of about 325 people. I have very few audits. I have few problems with my clients. This year seven of them have not received anything. So they have called in. One of my clients who was here a while ago, you know her problem. The rest of them, they have called and have got nothing out of it.

A couple of them, they have received excess refunds, I mean nice sums of money, in excess of $2,000. I have talked to them and I have persuaded them to send them back, but the problem is they cashed them so now the IRS most likely will want interest because they are not getting their check back. I don't know.

But the main problem is not the individual tax preparer. It's the businesses. Now, I'm not going to go too far. This is just one client. It's cost him over $1,000 in excess work, $40 for each levy the IRS puts on. I have checks showing we sent in that first form, we sent in copies of the check with the second form. There is two levies on one account within a month of which cost him $80 for the levy from the bank and $150 for bounced checks from his account. Now, that's basically all I have to say. The businesses are the ones that are suffering, not so much the people because they are going to get interest eventually.

[Material submitted for the record follows:]

(215) 674-1770

JOHN R.
GRIMES
193 Easton Road
Horsham, Pa 19044

TAX PREPARATION WORD PROCESSING GENERAL LEDGER

June 28, 1985

Re: I.R.S. Late Tax Refunds and Continual Reoccurring Problems

I have approximately 325 clients. To date, I know of seven (7) who have not received their refunds for 1984. All seven have been in contact with the Service Center and the Service Center claimed to have no knowledge of ever having received their tax forms. I have not had any follow-up information from two clients. Four have not heard anything from the Service Center since submitting a copy of the original tax they filed. The seventh client had been told, originally, that the Service Center had no record of their tax, which had been sent in on 1/21/85. Later, the Service Center told them there was a mistake in the coding of their tax and that they should resubmit the tax, which they did 4/23/85. They have inquired several times about the status of the resubmitted tax and have received no indication that it has entered the operation. After calling their State Representatives about the tax, they were advised to send a copy of the tax to Senator Heinz's office and he would see that it would be walked through the I.R.S. operation. As of 6/26/85, the tax has not shown up on the computer. As for my other six clients, they are still waiting, patiently.

While several clients have not received any refund, a few clients have received refunds in excess of the amount that they should have received.

Lack of refunds and excessive refunds have been a problem, causing my clients and myself unnecessary paperwork and expense, but it has not been nearly as frustrating as some of the inaccurate notices that I have had to respond to on behalf of my business clients, I.E., threats of liens and unwarranted levies on their bank accounts, for taxes that had already been paid in full. (See attached)

epartment of the Treasury
ternal Revenue Service

000950 828 2301
P 903 916 279

RPT

ast Due
nal Notice (Notice of Intention to Levy)
ead Carefully

R A NG, PA 19612

If you have any questions, refer to this information:
Date of This Notice: 05-03-85 504 8521
Taxpayer Identifying Number:

Form	Tax Year Ended	Document Locator Number
940	12-31-84	

Call: 574-9900 LOCAL PHILADELPHIA
or 1-800-424-1040 OTHER EAST PA

Write: Chief, Taxpayer Assistance Section
Internal Revenue Service Center
PHILADELPHIA, PA 19255

If you write, be sure to attach the bottom part of this notice.

ALTHOUGH NOTICES AND DEMAND HAVE BEEN MADE FOR PAYMENT OF YOUR FE ERAL TAX LIABILITY SHOWN BELOW, WE HAVE NO RECORD OF RECEIVING THE AM UNT DUE. THIS IS YOUR FINAL NOTICE BEFORE WE PROCEED WITH ENFORCEMENT AC ON. THE PURPOSE OF THIS NOTICE IS TO INFORM YOU OF OUR INTENTION TO LE UPON YOUR PROPERTY OR RIGHTS TO PROPERTY IN ACCORDANCE WITH SECTION 63 OF THE INTERNAL REVENUE CODE.

TO PREVENT SUCH ACTION, SEND US, WITHIN 10 DAYS FROM THE DATE OF THIS NO E, YOUR CHECK OR MONEY ORDER FOR THE TOTAL AMOUNT DUE, PAYABLE TO THE IN RNAL REVENUE SERVICE. SHOW YOUR TAXPAYER IDENTIFYING NUMBER (SOCIAL SE ITY OR EMPLOYER IDENTIFICATION NUMBER) ON IT AND ENCLOSE THE BOTTOM PA OF THIS NOTICE TO ASSURE PROMPT AND ACCURATE CREDIT. AN ENVELOPE IS EN SED FOR YOUR CONVENIENCE.

IF YOU HAVE RECENTLY PAID THE AMOUNT DUE BUT YOUR PAYMENT HAS NOT B CREDITED TO YOUR ACCOUNT, OR IF YOU CANNOT PAY THIS AMOUNT IN FULL, C CT THE OFFICE SHOWN ABOVE WITHIN 10 DAYS FROM THE DATE OF THIS N E. THE TELEPHONE NUMBER IS SHOWN ABOVE.

IF WE DO NOT RECEIVE YOUR PAYMENT OR IF YOU DO NOT CONTACT OUR O E, ENFORCEMENT ACTION MAY BE TAKEN AT ANY TIME AFTER 10 DAYS FROM THE D OF THIS NOTICE WITHOUT ANY FURTHER NOTICE TO YOU. A NOTICE OF FEDERAL T IEN MAY BE FILED WHICH CONSTITUTES PUBLIC NOTICE TO YOUR CREDITORS T A TAX LIEN EXISTS AGAINST YOUR PROPERTY. SALARY OR WAGES DUE YOU MAY B VIED UPON, AS PROVIDED BY SECTION 6331 OF THE INTERNAL REVENUE CODE, BY RVING A NOTICE OF LEVY ON YOUR EMPLOYER. BANK ACCOUNTS, RECEIVABLES, COM SSIONS, OR OTHER KINDS OF INCOME YOU HAVE ARE ALSO SUBJECT TO LEVY. PRO RTY OR RIGHTS TO PROPERTY, SUCH AS AUTOMOBILES, MAY ALSO BE SEIZED A D OLD TO SATISFY YOUR TAX LIABILITY.

T X ORM NUMBER	940
T X ERIOD ENDED	12-31-84
BA CE OF PRIOR ASSESSMENTS	$316.05
LA PAYMENT PENALTY	$1.51
IN EST	$2.37
TO AMOUNT DUE	$319.93

E SURES
E OPE

Reply within 10 days
to avoid enforcement action
and additional penalties

ave any questions you may call or write -- see the information in the upper right corner of this notice. To make sure IRS es give courteous responses and correct information to taxpayers, a second employee sometimes listens in on telephone calls.
k of this notice for more information.
s part for your records

DETACH HERE

Form 8126 (Rev. 12-84)

his part with your payment or inquiry. Please t any errors in your name, address, or taxpayer ider ying number.

828 2301

RPT

Date of This Notice: 05-03-85 504 8521
Taxpayer Identifying Number: RO

Form	Tax Year Ended	Document Locator Number
940	10 8412	

READ NG, PA 19612

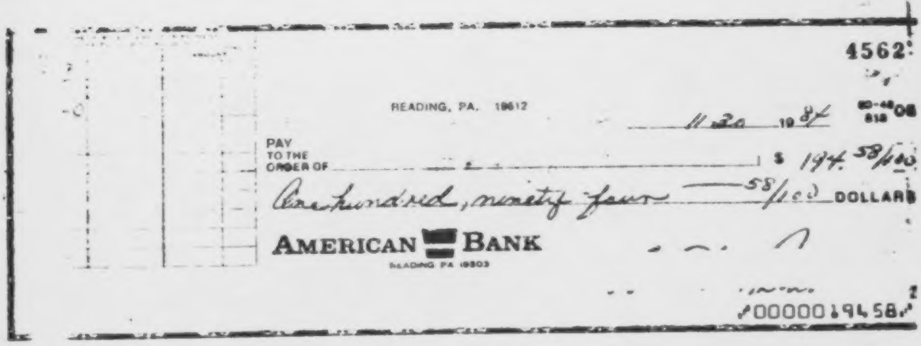
Amount You Owe $319.93
Subtract Payments We Haven't
Included ....
Amo $

In Revenue Service
1 255

60-46 PAY ANY BANK P.E.G.
AMERICAN BANK AND
TRUST CO. OF PA
READING PA

DE 84 07
PAY ANY BANK, P.E.G.
AMERICAN BANK AND TRUST
CO. OF PA.
READING PENNSYLVANIA

JA 85 31
PAY ANY BANK, P.E.G.
AMERICAN BANK AND TRUST
CO. OF PA.
READING PENNSYLVANIA



4562

READING, PA. 19612

11-20 1984

60-46/313

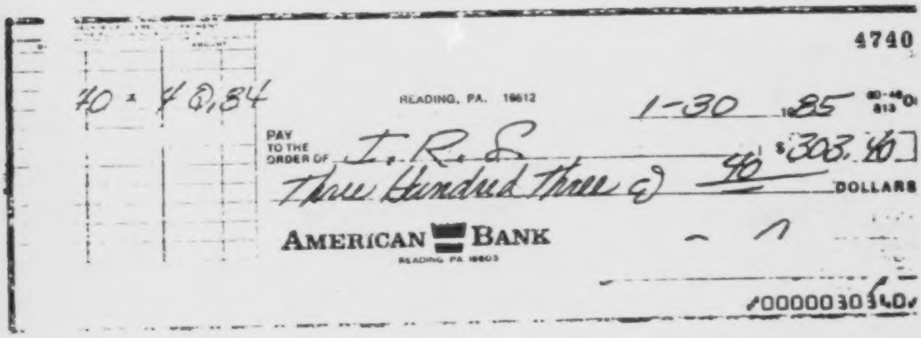
PAY TO THE ORDER OF

$ 194.58/100

One hundred, ninety four —58/100 DOLLARS

AMERICAN BANK
READING PA 19603

⑈0000019458⑈



4740

40 × 40.34

READING, PA. 19612

1-30 1985

60-46/313

PAY TO THE ORDER OF I.R.S.

$ 303.40

Three Hundred three & 40 DOLLARS

AMERICAN BANK
READING PA 19603

⑈0000030340⑈

DEP. TMENT OF THE TREASURY
IN. L NAL REVENUE SERVICE
INTE NAL REVENUE SERVICE - ACS
P.O. BOX 57
BENS LEM, PA. 19020

DATE: 06-13-85
TAXPAYER IDENTIFYING NUMBER:

CONTACT TELEPHONE NUMBERS
IN PHILADELPHIA AREA: 238-1902
IN PENNSYLVANIA: 1-800-441-0023
OUTSIDE PENNSYLVANIA: 1-800-441-0020

REA NG, PA 19612

HAVE NO RECORD OF RECEIVING PAYMENT OF YOUR FEDERAL TAXES (SEE ATT. MENT). THIS IS YOUR FINAL NOTICE BEFORE WE PROCEED WITH ENF EMENT ACTION AND LEVY UPON YOUR PROPERTY OR RIGHTS TO PROPERTY IN ORDANCE WITH SECTION 6331(D) OF THE INTERNAL REVENUE CODE.

UR CHECK OR MONEY ORDER FOR THE TOTAL AMOUNT DUE, MADE PAYABLE TO E INTERNAL REVENUE SERVICE, MUST BE RECEIVED WITHIN 10 DAYS FROM THE ABOVE DATE. WRITE YOUR TAXPAYER IDENTIFYING NUMBER ON IT AND ENC SE A COPY OF THIS LETTER.

IF THIS NOTICE IS WRONG, CONTACT US WITHIN 7 DAYS OF THE ABOVE DAT .

IF YOU DO NOT PAY US OR CONTACT OUR OFFICE, ENFORCEMENT ACTION MAY BE TAKEN WITHOUT FURTHER NOTICE. A NOTICE OF FEDERAL TAX LIEN MAY BE FILED WHICH IS PUBLIC NOTICE THAT A TAX LIEN EXISTS AGAINST YOU PROPERTY. AS PROVIDED BY SECTION 6331 OF THE INTERNAL REVENUE COD , SALARY OR WAGES DUE YOU, BANK ACCOUNTS, COMMISSIONS, OR OTHER KIN OF INCOME YOU HAVE MAY BE LEVIED UPON. YOUR PROPERTY OR RIGHTS TO OPERTY, SUCH AS AUTOMOBILES, MAY ALSO BE SEIZED AND SOLD.

Robert E. Micinkowski
CHIEF, RESEARCH GROUP

ENC SURES:
A ACHMENT
C Y OF LETTER
E ELOPE

LT-11

LETTER 1058 (ACS) (REV. 05-84)

LEAS SEND YOUR RESPONSE IN THE ENCLOSED ENVELOPE

TAX INFORMATION

TYP OF T	PERIOD ENDING	ASSESSED BALANCE		STATUTORY ADDITIONS		TOTAL
941	09-30-83 $	681.68	$	173.61	$	855.29
940	12-31-84 $	316.05	$	11.47	$	327.52

TOTAL AMOUNT DUE $ 1,182.81

Department of the Treasury
Internal Revenue Service

00277n

Past Due
Final Notice
Read Carefully

P 903 452 891

If you inquire about your account, please refer to these numbers or attach this letter

Date of this Letter
05-04-84

Taxpayer Identifying Nu ber

Document Locator N r

504 828 301

READING, PA 19612

Although notices and demand have been made for payment of your Federal tax liability shown below, we hav o record of receiving the amount due. This is your final notice before we proceed with enforcement action

To prevent such action, send us, within 10 days from the date of this letter, your check or money order for the al amount due, payable to the Internal Revenue Service. Show your taxpayer identifying number (social security or e y- er identification number) on it and enclose this letter to assure prompt and accurate credit. An envelope is enclos r your convenience. The copy of this letter is for your records

If you have recently paid the amount due but your payment has not been credited to your account, or if you c pay this amount in full, contact the office shown below within 10 days from the date of this letter. The telephone nu is shown on the enclosed notice

If we do not receive your payment or if you do not contact our office, enforcement action may be taken at any after 10 days from the date of this letter without any further notice to you. A Notice of Federal Tax Lien may be filed w constitutes public notice to your creditors that a tax lien exists against your pre [illegible] due you may levied upon, as provided by section 6331 of the Internal Revenue Code, by serving a [illegible] your employer. B accounts, receivables, commissions, or other kinds of income you have are also subject to levy. Property or rights to perty, such as automobiles, may also be seized and sold to satisfy your tax liability

Enclosures:
Envelope
Copy of this letter
Telephone Number Notice

Reply within 10 days
to avoid enforcement action
and additional penalties.

Tax Form Number 941
Tax Period Ended 06-30-83

Balance of Prior Assessments		[illegible] .85
Late Payment Penalty		.6[illegible]
Interest		.50
Total Amount Due	$	[illegible] 97

Reply to: INTERNAL REVENUE SERVICE
PHILADELPHIA, PA 19255

16851 1 8

OMB No. 1545-0764

Department of the Treasury
Internal Revenue Service
P.O. BOX 57
BENSALEM, PA 19020

528
INC

ADING, PA 19612

If you have any questions, refer to this information:
Date of this Notice: DEC. 26, 1983
Taxpayer Identifying Number:
Document Locator Number:
Form 941 • Tax Period: JUNE 30, 1983

Call: 574-9900 LOCAL: PHILADELPHI
1-800-424-1040 OTHER EASTERN
or

Write: Chief, Taxpayer Assistance Section
Internal Revenue Service Center
P.O. BOX 57
BENSALEM, PA 19020

If you write, be sure to attach the bottom part of this notice

FEDERAL EMPLOYMENT TAX

OVE AYMENT CREDITED – REMAINING BALANCE DUE

V recently notified you that we applied to your tax acc for the above period part or all of an overpay t you made on other taxes. The statement at right hows the current amount you owe after that adjus ent.

If e included any penalty or interest charges, an expla tion will be found on the back of this notice. Code mbers in the box at lower right will guide you to the planations that apply.

M. your check or money order payable to Internal Rever Service. Please show your taxpayer identifying numb on your payment and mail it with the bottom part this notice in the envelope enclosed for your conve nce. For Paperwork Reduction Act information, see ba of notice.

ank you for your cooperation.

TAX STATEMENT

Remainder Due	$	1 747.2
Interest On Late Payment*	$	25.2
Penalty for Late Payment*	$	5.46
Current Amount You Owe IRS	$	1 777.99

*See these code numbers on the back for an explanati of interest or penalty charges.

07-09	

If you any questions, you may call or write us. To make sure that IRS employees give courteous responses and correct ormation to tax s, a second employee sometimes listens in on telephone calls.

Form 5238 (v. 7-83)

KEE IS PART FOR YOUR RECORDS.

Send s part with your payment or inquiry. Please corre ny errors in your name, address, or taxpayer ident g number.

Attach Check or Money Order Here

RE DING, PA 19612

Date of This Notice: DEC. 26, 1983
Taxpayer Identifying Number:
Document Locator Number:
Form 941 Tax Period: JUNE 30 1983

28 8350

partment of the Treasury
ernal Revenue Service
.O. BOX 57
NSALEM, PA 19020

Amount You Owe IRS $ 1,777.99
Subtract Payments We Haven't Included
Pay Adjusted Amount $

1467 102
OMB NO.: 1545-0519 EXP. 11-30-84

Department of the Treasury
Internal Revenue Service
P.O. BOX 57
BENSALEM, PA 19020

If you have any questions, refer to this information:
Date of This Notice: NOV. 7, 1983
Taxpayer Identifying Number:
Document Locator Number:
Form: 941 Tax Period: JUNE 30, 1983

Call: 574-9900 LOCAL PHILADELPHIA
or 1-800-424-1040 OTHER EASTERN PA

Write: Chief, Taxpayer Assistance Section
Internal Revenue Service Center
P.O. BOX 57
BENSALEM, PA 19020

If you write, be sure to attach the bottom part of this notice.

102

RE DING, PA 19612

Sent reply w/ Corr., etc. 11-7-83

FEDERAL EMPLOYMENT TAX

WE CORRECTED YOUR RETURN - AMOUNT DUE IRS

WHILE CHECKING YOUR EMPLOYMENT TAX RETURN FOR THE ABOVE TAX PERIOD, WE MADE THE CORRECTIONS FOR THE REASONS SHOWN BELOW. YOU MAY WANT TO CHECK YOUR FIGURES AGAINST OURS.

ADJUSTED TOTAL INCOME TAX WITHHELD......	$1,201.20
FICA TAX AT APPLICABLE RATE.............	1,394.70
ADJUSTED TOTAL FICA TAXES...............	1,394.70
TOTAL TAXES.............................	2,595.90
TOTAL TAX DEPOSITS FOR THE QUARTER......	.00
OVERPAYMENT FROM PREVIOUS QUARTER.......	.00
OTHER CREDITS...........................	854.00-
LESS CREDIT TO NEXT QUARTER.............	.00
BALANCE OF TAX DUE......................	1,741.90
PENALTY (SEE NOTE BELOW)................	278.66
INTEREST (SEE NOTE BELOW)...............	52.75
TOTAL BALANCE DUE IRS...................	$2,073.31

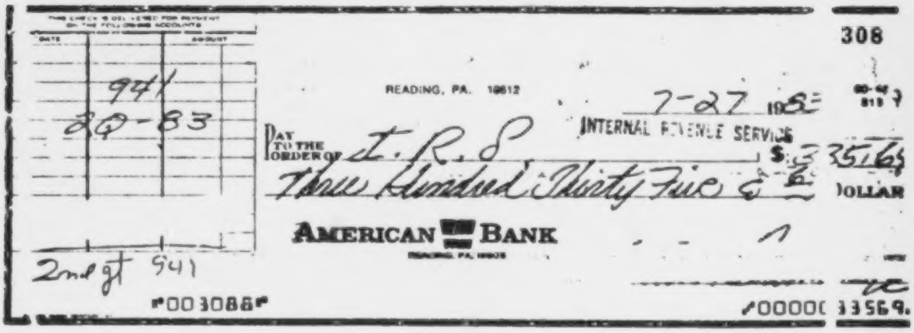
THE AMOUNT REPORTED AS TOTAL DEPOSITS FOR QUARTER AND OVERPAYMENT FROM PREVIOUS QUARTER WAS NOT CORRECT.

YOU SHOULD PAY THE AMOUNT DUE BY NOV. 17, 1983. IF YOU BELIEVE IT IS NOT CORRECT, PLEASE SEE THE INFORMATION ABOUT THE AMOUNT YOU OWE ON THE BACK OF THIS NOTICE. PLEASE MAKE YOUR CHECK OR MONEY ORDER PAYABLE TO THE INTERNAL REVENUE SERVICE. SHOW YOUR TAXPAYER IDENTIFYING NUMBER ON YOUR PAYMENT AND MAIL IT WITH THE BOTTOM PART OF THIS NOTICE. AN ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE.

THANK YOU FOR YOUR COOPERATION.

codes 01-03-07-09 on the back of this notice that provide further explanations and instructions.
PEN TY AMOUNTS: 01...$174.19 03....$87.05 07....$17.42
If you any questions, you may call or write — see the information in the upper right corner of this notice. To make sure that IRS employ give courteous responses and correct information to taxpayers, a second employee sometimes listens in on telephone calls.
For Pap rk Reduction Act information, see back of notice.
Keep th rt for our records

Form 4420 (Rev. 7-83)



308

941
2Q-83

READING, PA. 19612

7-27 198[illegible]

INTERNAL REVENUE SERVICE

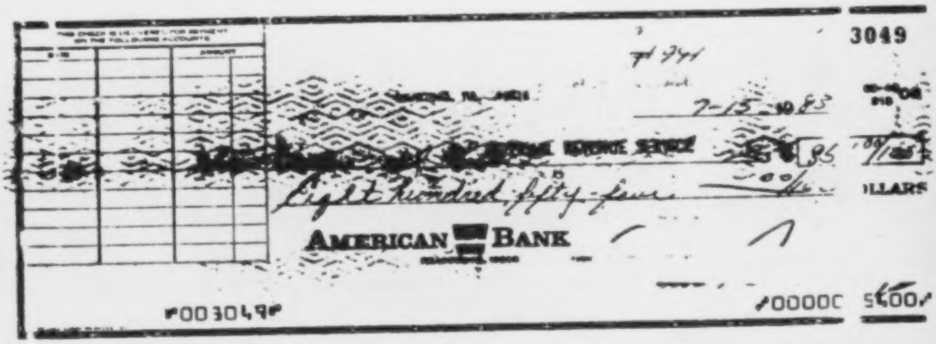
PAY TO THE ORDER OF I. R. S. $ 335 69

Three Hundred Thirty Five & 69 OLLAR

AMERICAN BANK
READING, PA. 19603

2nd qt 941

003088 00000 33569.



3049

941

READING, PA. 19612

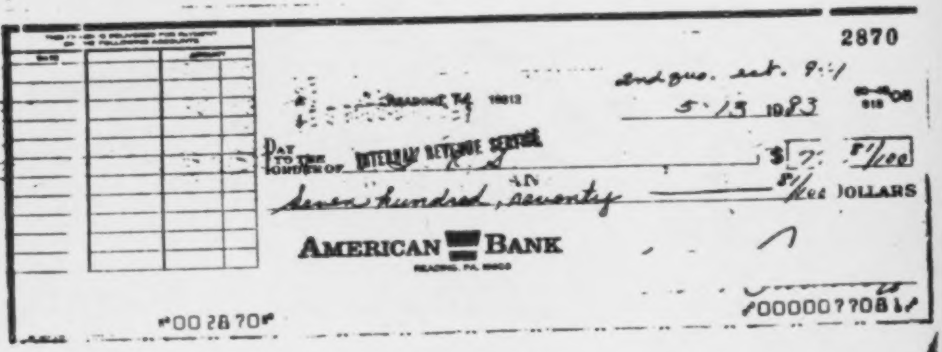
7-15 1983

INTERNAL REVENUE SERVICE $ 855 00/100

Eight hundred fifty-five 00/100 LLARS

AMERICAN BANK

003049 00000 85500



2870

2nd qua. est. 941

READING, PA. 19612

5-13 1983

PAY TO THE ORDER OF INTERNAL REVENUE SERVICE I. R. S. $ 770 81/100

Seven hundred, seventy 81/100 DOLLARS

AMERICAN BANK
READING, PA. 19603

002870 0000077081

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
INTERNAL REVENUE SERVICE - ACS
P.O. BOX 57
BENSALEM, PA. 19020

DATE: 03-03-85
TAXPAYER IDENTIFYING NUMBER:

CONTACT TELEPHONE NUMBERS
IN PHILADELPHIA AREA: 238-1902
IN PENNSYLVANIA: 1-800-441-0023
OUTSIDE PENNSYLVANIA: 1-800-441-00

AM , PA 19002

WE HAVE STILL NOT RECEIVED YOUR TAX RETURN(S) (SEE ATTACHMENT).

WE ARE ASSIGNING YOUR ACCOUNT TO A REVENUE OFFICER WHO WILL TAKE THE ACTIONS NECESSARY TO GET THE RETURNS. THIS MAY INCLUDE A SUMMONS TO APPEAR AT A DESIGNATED TIME AND PLACE WITH YOUR RECORDS OR OUR PREPARATION OF YOUR RETURN FROM THE BEST INFORMATION AVAILABLE. A FINE, OTHER CRIMINAL PENALTIES, OR BOTH MAY BE CHARGED AGAINST PERSONS WHO WILLFULLY FAIL TO FILE A REQUIRED TAX FORM OR PROVIDE TAX INFORMATION.

TO AVOID SUCH ACTIONS, WE URGE YOU TO MAIL ALL DELINQUENT TAX RETURNS TO US OR CONTACT OUR OFFICE WITHIN 7 DAYS FROM THE DATE OF THIS LETTER.

USE THE ENCLOSED ENVELOPE TO MAIL YOUR TAX RETURN(S) (SIGNED COPIES IF THEY WERE PREVIOUSLY FILED), OR TO EXPLAIN WHY YOU ARE NOT REQUIRED TO FILE. ENCLOSE A COPY OF THIS LETTER TO ENSURE THAT YOUR REPLY IS PROCESSED QUICKLY.

CHIEF, RESEARCH GROUP

ENCLOSURES:
  ATTACHMENT
  COPY OF THIS LETTER
  ENVELOPE

LT-23

LETTER 1734 (ACS) (REV. 05-84)

SEND YOUR RESPONSE IN THE ENCLOSED ENVELOPE

GLOSTER
GRIMES
BOSAK

G G B TAX SERVICE
193 Easton Road ● Horsham, PA 19044 ● (215) 674

NOVEMBER 30, 1983

INTERNAL REVENUE SERVICE
EXAMINATION DIVISION
BOX [illegible]
BENSALEM, PA. 19020

RE:

TO WHOM IT MAY CONCERN:

THE 1099 THAT YOU HAVE ADDED TO
WAS NOT RECEIVED BY HIM.

THAT 1099, FROM PILEGGI & SONS INC. IN THE AMOUNT OF $ 742.
WAS RECEIVED AND REPORTED BY ,S.S.#

ENCLOSED IS A COPY OF THE SCHEDULE "C " FORM 1040-198
THAT WAS FILED BY ,INCLUDING ALL 1099's RECEIVED B
HIM.

THANK YOU

Jn. R. Grimes
JOHN R. GRIMES

TAX INFORMATION

E AX	PERIOD ENDING	NAME OF RETURN
	12-31-82	US INDIVIDUAL INCOME TAX RETURN

THIS IS THE THIRD TIME THAT WE HAVE REPLIED TO THIS NOTICE

ABOUT THE 1982 TAX. MR DID NOT HAVE ANY EARNING IN THE YEAR

1982.

Internal Revenue [illegible]

Past Due
Final Notice (Notice of Intention to Levy)
Read Carefully

you [illegible]
Date of This Notice: 05-[illegible]1-[illegible]5
Taxpayer Identifying Number

Form	Tax Year Ended	Document Locator Number
941	06-30-84	

PHILADELPHIA, PA 19144

Call: 574-9900 LOCAL PHILADELPHIA
or 1-800-424-1040 OTHER EAST P

Write: Chief, Taxpayer Assistance Section
Internal Revenue Service Center
PHILADELPHIA, PA 19255

If you write, be sure to attach the bottom part of this notice.

ALTHOUGH NOTICES AND DEMAND HAVE BEEN MADE FOR PAYMENT OF YOUR FEDERAL TAX LIABILITY SHOWN BELOW, WE HAVE NO RECORD OF RECEIVING THE AMOUNT DUE. THIS IS YOUR FINAL NOTICE BEFORE WE PROCEED WITH ENFORCEME ACTION. THE PURPOSE OF THIS NOTICE IS TO INFORM YOU OF OUR INTENTION TC LEVY UPON YOUR PROPERTY OR RIGHTS TO PROPERTY IN ACCORDANCE WITH SECTIC 6331 OF THE INTERNAL REVENUE CODE.

TO PREVENT SUCH ACTION, SEND US, WITHIN 10 DAYS FROM THE DATE OF THIS NOTICE, YOUR CHECK OR MONEY ORDER FOR THE TOTAL AMOUNT DUE, PAYABLE TO THE INTERNAL REVENUE SERVICE. SHOW YOUR TAXPAYER IDENTIFYING NUMBER (SOCIAL SECURITY OR EMPLOYER IDENTIFICATION NUMBER) ON IT AND ENCLOSE THE BOTTOM PART OF THIS NOTICE TO ASSURE PROMPT AND ACCURATE CREDIT. AN ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE.

IF YOU HAVE RECENTLY PAID THE AMOUNT DUE BUT YOUR PAYMENT HAS NOT BEEN CREDITED TO YOUR ACCOUNT, OR IF YOU CANNOT PAY THIS AMOUNT IN FULL CONTACT THE OFFICE SHOWN ABOVE WITHIN 10 DAYS FROM THE DATE OF THIS NOTICE. THE TELEPHONE NUMBER IS SHOWN ABOVE.

IF WE DO NOT RECEIVE YOUR PAYMENT OR IF YOU DO NOT CONTACT OUR OFFICE, ENFORCEMENT ACTION MAY BE TAKEN AT ANY TIME AFTER 10 DAYS FRO[illegible] E DATE OF THIS NOTICE WITHOUT ANY FURTHER NOTICE TO YOU. A NOTICE OF FE L TAX LIEN MAY BE FILED WHICH CONSTITUTES PUBLIC NOTICE TO YOUR CREDITO THAT A TAX LIEN EXISTS AGAINST YOUR PROPERTY. SALARY OR WAGES DUE YOU BE LEVIED UPON, AS PROVIDED BY SECTION 6331 OF THE INTERNAL REVENUE C BY SERVING A NOTICE OF LEVY ON YOUR EMPLOYER. BANK ACCOUNTS, RECEIVAB COMMISSIONS, OR OTHER KINDS OF INCOME YOU HAVE ARE ALSO SUBJECT TO LE PROPERTY OR RIGHTS TO PROPERTY, SUCH AS AUTOMOBILES, MAY ALSO BE SEIZ AND SOLD TO SATISFY YOUR TAX LIABILITY.

TAX FORM NUMBER	941
TAX PERIOD ENDED	06-30-84
BALANCE OF PRIOR ASSESSMENTS	$1,190.29
LATE PAYMENT PENALTY	$21.56
INTEREST	$42.27
TOTAL AMOUNT DUE	$1,254.12

ENCLOSURES
ENVELOPE

Reply within 10 days to avoid enforcement action and additional penalties.

If you have any questions, you may call or write -- see the information in the upper right corner of this notice. To make sure that I employees give courteous responses and correct information to taxpayers, a second employee sometimes listens in on telephone ca

See back of this notice for more information.
Keep this part for your records.

↓DETACH HERE↓

Form 8125

Send this part with your payment or inquiry. Please correct any errors in your name, address, or taxpayer identifying number.

828 2301 R

Date of This Notice: 05-31-85 504 [illegible] 25
Taxpayer Identifying Number:

Form	Tax Year Ended	Document Locator Number
941	01 8406	

PHILADELPHIA, PA 19144

Amount You Owe .... $1,25[illegible].12

Subtract Payments We Haven't Included ....

[illegible] Revenue Service
[illegible] 19255

Internal Revenue Service

11601 Roosevelt Blvd.
Philadelphia, PA 19255

941 June 1984

Date 1/15/85

Dear Taxpayer:

Your payment of 1,098.00 dated 6/12/84 is being applied to your above account.

Thank You

Joyce E. Rodriguez
T.E.
28693421

Form 5260 (6-74)

Department of the Treasury

TR 1072, 28

Department of the Treasury
Internal Revenue Service
PHILADELPHIA, PA 19255

If you have any questions, refer to this informatic
Date of this Notice: OCT. 15, 1984
Taxpayer Identifying Number:
Document Locator Number:
Form 941 Tax Period JUNE 30 1984

Call: 574-9900 LOCAL PHILADE 'HIA
1-800-424-1040 OTHER EAST! I PA
or
Write: Chief, Taxpayer Assistance Section
Internal Revenue Service Center
PHILADELPHIA, PA 19255

If you write, be sure to attach the bottom part of this n and include your telephone number and the best time for us t t so we can contact you if we need more information.

128
I ES

PHILADELPHIA, PA 19144

REQUEST FOR PAYMENT

We recently notified you that we applied all or part of the amount you overpaid on other Federal taxes to the amo vi **owe for the form and tax period identified above. The amount you still owe is shown below with interest figured to the date of** s **ice. If you believe it is not correct, please see the information on the back of this notice.**

*Amount remaining after applying your overpaid tax	$	1,162.16
Plus: Penalty for late payment		5.39
Interest on late payment		7.31
Amount you still owe	$	1,174.86

Make your check or money order payable to the Internal Revenue Service. Please write your taxpayer identifying numb on our payment and mail it with the bottom part of this notice.

* **This amount includes any penalty and interest you owed before the overpaid tax was applied.**

** **See Codes** 07-09 on the back for any explanation of penalty and interes charg s.

TR 10?

Department of the Treasury
Internal Revenue Service
PHILADELPHIA, PA 19255

If you have any questions, refer to this informat
Date of This Notice: SEP. 24, 1984
Taxpayer Identifying Number:
Document Locator Number:
Form 941 Tax Period JUNE 30, 84

Call: 574-9900 LOCAL PHILADEL
or 1-800-424-1040 OTHER EASTER

Write: Chief, Taxpayer Assistance Section
Internal Revenue Service Center
PHILADELPHIA, PA 19255

If you write, be sure to attach the bottom part of this notice. Include yo
telephone number and the best time for us to call if we need more informati

102

PHILADELPHIA, PA 19144

CORRECTION NOTICE - AMOUNT DUE IRS

WE HAVE CORRECTED AN ERROR IN YOUR EMPLOYMENT TAX RETURN FOR THE ABOVE TAX PERIOD. YOU MAY WANT TO CHECK YOUR FIGURES AGAINST THOSE SHOWN BELOW

ADJUSTED TOTAL OF INCOME TAX WITHHELD.....		$475.30	
TAX ON FICA WAGES.........	991.01		
ADJUSTED TOTAL OF FICA TAXES..............		991.02	
TOTAL TAXES....................................			$1,466.3?
TOTAL TAX DEPOSITED FOR THE QUARTER.......		$.00	
OVERPAYMENT FROM THE PREVIOUS QUARTER.....		.00	
OTHER CREDITS AND PAYMENTS.................		$368.32-	
TOTAL CREDITS AND PAYMENTS..........................			$368.3?-
AMOUNT OF UNPAID TAX..................................			$1,098.01
PLUS *PENALTY.............................		$65.81	
*INTEREST..............................		18.30	
TOTAL AMOUNT YOU OWE................................			$1,182.1

WE MADE THE CORRECTIONS FOR THE FOLLOWING REASON S
THE AMOUNT REPORTED AS TOTAL FEDERAL TAX DEPOSITS FOR THE QUARTER WAS NOT CORRECT.

YOU SHOULD PAY THE AMOUNT DUE BY OCT. 4, 1984. IF YOU BELIEVE T
IS NOT CORRECT, PLEASE SEE THE INFORMATION ABOUT THE AMOUNT YOU WE
ON THE BACK OF THIS NOTICE. PLEASE MAKE YOUR CHECK OR MONEY ORD
PAYABLE TO THE INTERNAL REVENUE SERVICE. SHOW YOUR TAXPAYER
IDENTIFYING NUMBER ON YOUR PAYMENT AND MAIL IT WITH THE BOTTOM PART
OF THIS NOTICE. AN ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE.

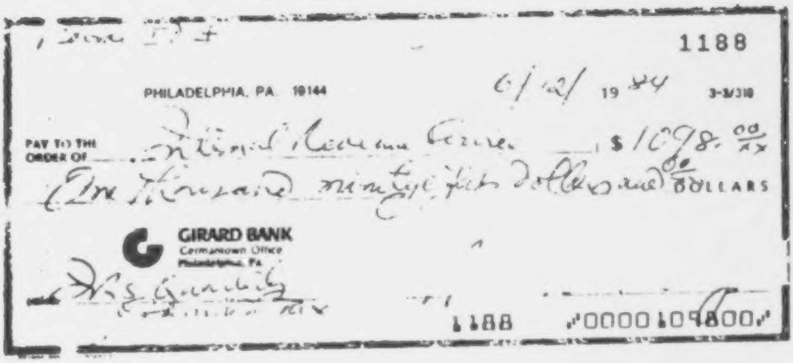
THANK YOU FOR YOUR COOPERATION.

1244

See [illegible] 03-07-03 on the back of this notice that provide further explanations and instructions.
PENALTY AMOUNTS 03....$54.83 07....$10.98

If you have [illegible] questions, you may call or write — see the information in the upper right corner of this notice. To make sure that IRS employees [illegible] courteous responses and correct information to taxpayers, a second employee sometimes listens in on telephone calls.
Keep this [illegible] for your records. Form 4478 (Rev. 8-84)

Send this [illegible] with your payment or inquiry. Please correct any error [illegible] your name, address, or taxpayer identifying



[illegible]

1188

PHILADELPHIA, PA 19144

6/2/1984

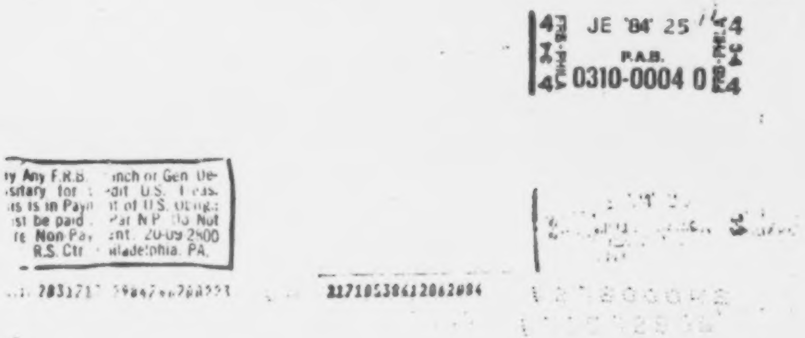
3-3/310

PAY TO THE ORDER OF Internal Revenue Service $1098.00/xx

One thousand ninety eight dollars and 00 DOLLARS

GIRARD BANK
Germantown Office
Philadelphia, Pa

1188 ⑈0000109800⑈



JE '84 25
FRB-PHILA
P.A.B.
0310-0004 0

y Any F.R.B. nch or Gen. De-
sitary for edit U.S. Treas.
is is in Pay nt of U.S. Oblig.
st be paid Par N.P. Do Not
re Non-Pay ent. 20-09-2800
R.S. Ctr hiladelphia, PA.

21710530412062084

Department of the Treasury
Internal Revenue Service

PHILADELPHIA, PA 19255

In reply refer to: 284306
JUNE 06, 1985 LTR 96C

00E

READING, PA 19612

ployer Identification Number:
Tax Period Ended: Sep. 30, 1984

Dear Taxpayer:

We received your letter, dated May 20,1985, about your Form 941 for the tax period shown above. We are looking into the matter and will answer you more fully in 60 days.

If you have any questions about this letter, please write to us at the address shown on this letter. If you prefer, you may call the IRS telephone number listed in your local directory. An employee there may be able to help you, but the office at the address shown on this letter is most familiar with your case.

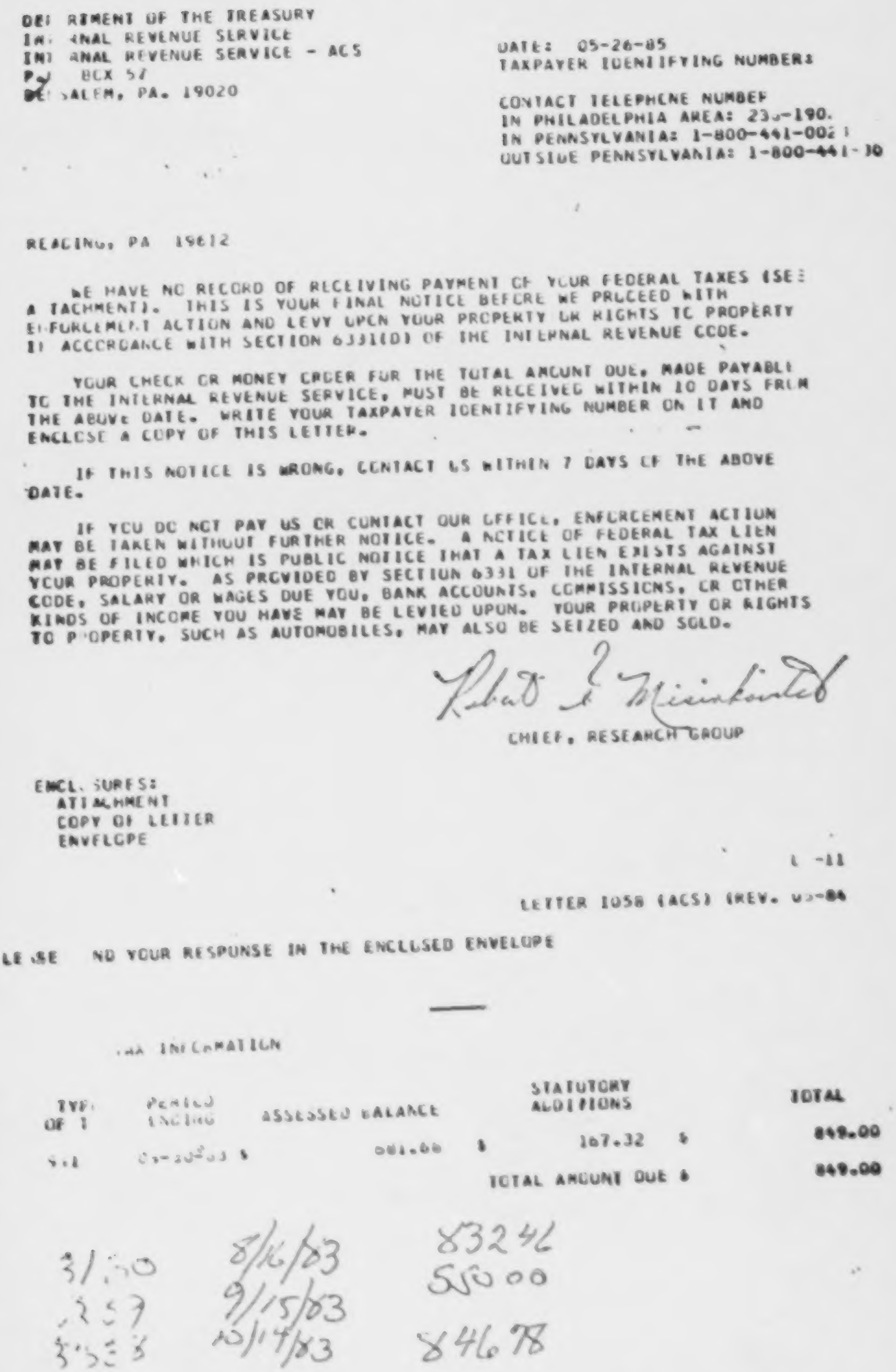
If you write to us with questions about this letter, please provide your telephone number and the most convenient time for us to call you in case we need more information. Attach this letter to any correspondence to help us identify your case. Keep the copy for your records.

Thank you for your patience.

Sincerely yours,

Chief, Taxpayer Assistance Section

Enclosure:
Copy of this letter



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
INTERNAL REVENUE SERVICE - ACS
P.O. BOX 57
BENSALEM, PA. 19020

DATE: 05-26-85
TAXPAYER IDENTIFYING NUMBER:

CONTACT TELEPHONE NUMBER
IN PHILADELPHIA AREA: 23[illegible]-190.
IN PENNSYLVANIA: 1-800-441-002[illegible]
OUTSIDE PENNSYLVANIA: 1-800-441-10

READING, PA 19612

WE HAVE NO RECORD OF RECEIVING PAYMENT OF YOUR FEDERAL TAXES (SEE ATTACHMENT). THIS IS YOUR FINAL NOTICE BEFORE WE PROCEED WITH ENFORCEMENT ACTION AND LEVY UPON YOUR PROPERTY OR RIGHTS TO PROPERTY IN ACCORDANCE WITH SECTION 6331(D) OF THE INTERNAL REVENUE CODE.

YOUR CHECK OR MONEY ORDER FOR THE TOTAL AMOUNT DUE, MADE PAYABLE TO THE INTERNAL REVENUE SERVICE, MUST BE RECEIVED WITHIN 10 DAYS FROM THE ABOVE DATE. WRITE YOUR TAXPAYER IDENTIFYING NUMBER ON IT AND ENCLOSE A COPY OF THIS LETTER.

IF THIS NOTICE IS WRONG, CONTACT US WITHIN 7 DAYS OF THE ABOVE DATE.

IF YOU DO NOT PAY US OR CONTACT OUR OFFICE, ENFORCEMENT ACTION MAY BE TAKEN WITHOUT FURTHER NOTICE. A NOTICE OF FEDERAL TAX LIEN MAY BE FILED WHICH IS PUBLIC NOTICE THAT A TAX LIEN EXISTS AGAINST YOUR PROPERTY. AS PROVIDED BY SECTION 6331 OF THE INTERNAL REVENUE CODE, SALARY OR WAGES DUE YOU, BANK ACCOUNTS, COMMISSIONS, OR OTHER KINDS OF INCOME YOU HAVE MAY BE LEVIED UPON. YOUR PROPERTY OR RIGHTS TO PROPERTY, SUCH AS AUTOMOBILES, MAY ALSO BE SEIZED AND SOLD.

Robert E. Misinkavitch
CHIEF, RESEARCH GROUP

ENCLOSURES:
ATTACHMENT
COPY OF LETTER
ENVELOPE

L -11

LETTER 1058 (ACS) (REV. 05-84)

PLEASE SEND YOUR RESPONSE IN THE ENCLOSED ENVELOPE

TAX INFORMATION

TYPE OF TAX	PERIOD ENDING	ASSESSED BALANCE	STATUTORY ADDITIONS	TOTAL
941	09-30-83 $	681.68 $	167.32 $	849.00
			TOTAL AMOUNT DUE $	849.00

3150	8/16/83	832.46
		550.00
3357	9/15/83	
3533	10/14/83	846.78

American Bank and Trust Co. of Pa.
35 North 6th Street
P O Box 1102
Reading, PA 19603

Direct Dial ______ ___

AMERICAN
BANK

November 27, 1984

Reading, PA 19612

Dear Sirs:

This is to inform you that in accordance with Internal Revenue Service levy served on your account with us we have placed a hold on the following:

Checking account #08780978

At the expiration of ten business days from the date of this notice, we will forward the funds to IRS.

a. American Bank will charge a handling fee of $40.00;

b. Funds will be forwarded to IRS in accordance with the levy.

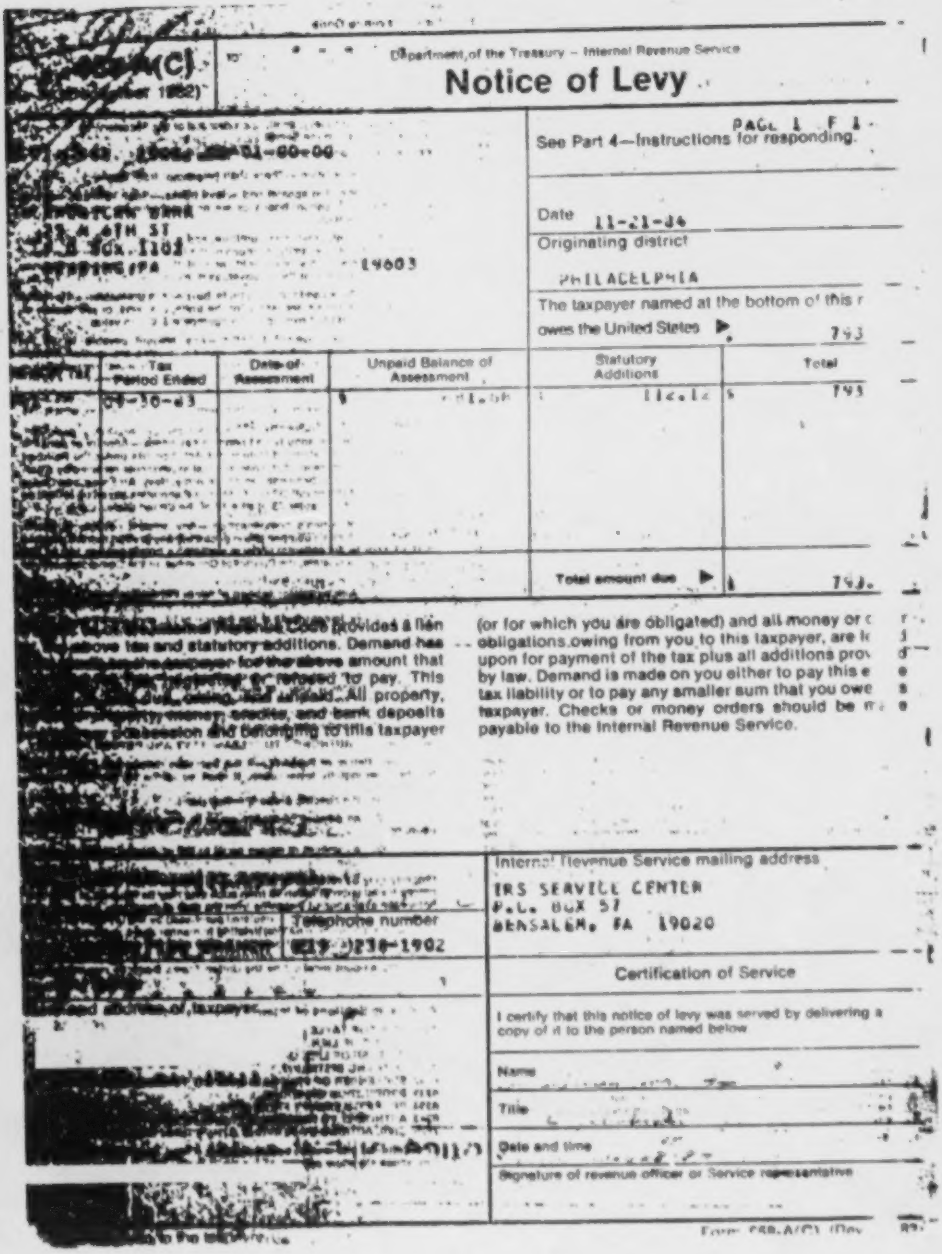
Very truly yours,

Bonnie M. Goodman

Legal Documents Section
Deposit Account Services

bmg
Attachment

A
Meridian
Bank



(C)
1982)

Department of the Treasury – Internal Revenue Service

Notice of Levy

PAGE 1 F 1

See Part 4—Instructions for responding.

Date 11-21-84

Originating district

PHILADELPHIA

The taxpayer named at the bottom of this

owes the United States ▶ 793

N 6TH ST
BOX 1102
PA 19603

Tax Period Ended	Date of Assessment	Unpaid Balance of Assessment	Statutory Additions	Total
09-30-83		$ [illegible]	$ 112.12	$ 793
			Total amount due ▶	$ 793.

provides a lien above tax and statutory additions. Demand has amount that to pay. This All property, credits, and bank deposits possession and belonging to this taxpayer (or for which you are obligated) and all money or obligations owing from you to this taxpayer, are upon for payment of the tax plus all additions prov by law. Demand is made on you either to pay this tax liability or to pay any smaller sum that you owe taxpayer. Checks or money orders should be payable to the Internal Revenue Service.

Internal Revenue Service mailing address

IRS SERVICE CENTER
P.O. BOX 57
BENSALEM, PA 19020

Telephone number
[illegible] 236-1902

Name and address of taxpayer

Certification of Service

I certify that this notice of levy was served by delivering a copy of it to the person named below

Name

Title

Date and time

Signature of revenue officer or Service representative

Form 668-A(C) (Rev. 82)

AMERICAN
BANK

AMERICAN BANK AND TRUST CO. OF PA. 35 North 6th Street PO Box 1102 Reading PA 19603

October 31, 1984

Reading, PA 19612

Dear Sir:

This is to inform you that in accordance with Internal Revenue Service levy served on your account with us we have placed a hold on the following:

Checking account #08780978

At the expiration of ten business days from the date of this notice, we will forward the funds to IRS.

a. American Bank will charge a handling fee of $40.00;

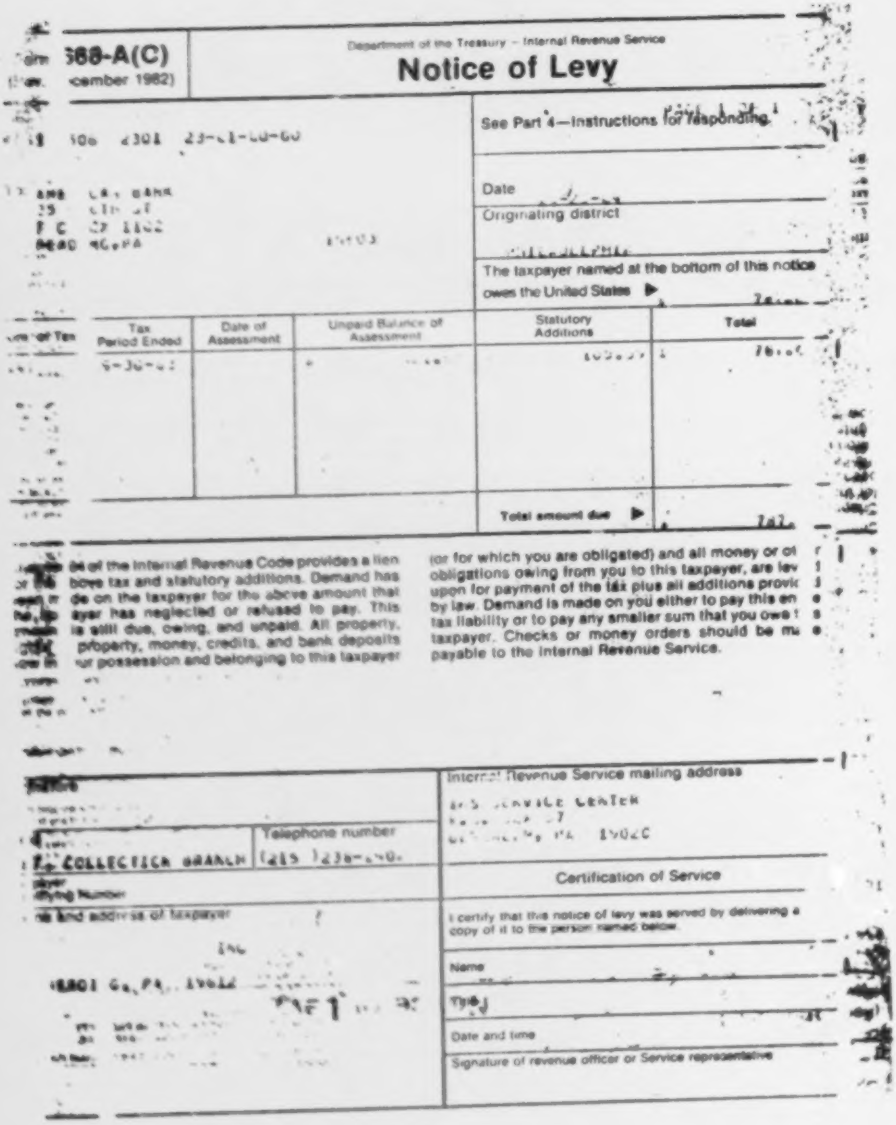
b. Funds will be forwarded to IRS in accordance with the levy.

Very truly yours,

Susan m Fix
Susan M. Fix
Legal Documents Section
Deposit Account Services

smf
Attachment

A
Meridian
Bank



668-A(C)
cember 1982)

Department of the Treasury – Internal Revenue Service

Notice of Levy

See Part 4—Instructions for responding

506 2301 23-[illegible]

Date

Originating district

The taxpayer named at the bottom of this notice owes the United States ▶

Kind of Tax	Tax Period Ended	Date of Assessment	Unpaid Balance of Assessment	Statutory Additions	Total
[illegible]	6-30-8[illegible]		[illegible]	[illegible]	[illegible]
				Total amount due ▶	[illegible]

de of the Internal Revenue Code provides a lien
bove tax and statutory additions. Demand has
de on the taxpayer for the above amount that
ayer has neglected or refused to pay. This
is still due, owing, and unpaid. All property,
property, money, credits, and bank deposits
ur possession and belonging to this taxpayer
(or for which you are obligated) and all money or ot
obligations owing from you to this taxpayer, are lev
upon for payment of the tax plus all additions provi
by law. Demand is made on you either to pay this en
tax liability or to pay any smaller sum that you owe t
taxpayer. Checks or money orders should be m
payable to the Internal Revenue Service.

Telephone number (215)238-[illegible]

COLLECTION BRANCH

ifying Number

e and address of taxpayer

INC

PA 1901[illegible]

Internal Revenue Service mailing address

IRS SERVICE CENTER
[illegible]
[illegible] PA 1902[illegible]

Certification of Service

I certify that this notice of levy was served by delivering a copy of it to the person named below.

Name

Title

Date and time

Signature of revenue officer or Service representative

RO 8349
Department of the Treasury
Internal Revenue Service
PHILADELPHIA, PA 19255

[illegible]
OMB NO.: 1545-0519 EXP. 11-30-84

If you have any questions, refer to this informat
Date of This Notice DEC. 19, 1983
Taxpayer Identifying Number
Document Locator Number
Form 941 Tax Period SEP. 30, 198

Call: 574-9900 LOCAL PHILADELPHI
or 1-800-424-1040 OTHER EASTERN PA

Write: Chief, Taxpayer Assistance Section
Internal Revenue Service Center
PHILADELPHIA, PA 19255

If you write, be sure to attach this notice
The copy is for your records

112

READING, PA 19612

THIS IS NOT A BILL

FEDERAL EMPLOYMENT TAX

CORRECTION TO ARITHMETIC

IN CHECKING THE ARITHMETIC ON YOUR TAX RETURN IDENTIFIED ABOVE WE HAD TO MAKE CORRECTIONS. YOU MAY WANT TO CHECK YOUR FIGURES AGAINST THOSE SHOWN BELOW.

ADJUSTED TOTAL INCOME TAX WITHHELD......	$1,071.70
FICA TAX AT APPLICABLE RATE.............	1,361.84
ADJUSTED TOTAL FICA TAXES...............	1,361.84
TOTAL TAXES.............................	2,433.54
TOTAL TAX DEPOSITS FOR THE QUARTER......	.00
OVERPAYMENT FROM PREVIOUS QUARTER.......	.00
OTHER CREDITS...........................	3,083.24-
LESS CREDIT TO NEXT QUARTER.............	.00
YOUR OVERPAYMENT........................	649.70-
PENALTY	.00
INTEREST	.00
YOUR NET OVERPAYMENT TO IRS.............	$649.70-

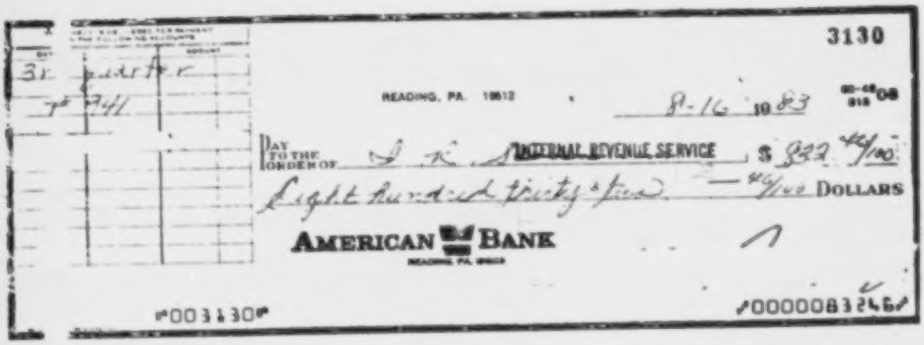
WE MADE THE CORRECTIONS FOR THE FOLLOWING REASON(S):

THE AMOUNT OF UNDEPOSITED TAX DUE,OR THE AMOUNT YOU OVERPAID, WAS NOT CORRECT.

THE AMOUNT REPORTED AS TOTAL DEPOSITS FOR QUARTER AND OVERPAYMENT FROM PREVIOUS QUARTER WAS NOT CORRECT.

IF YOU HAVE NOT YET RECEIVED A CHECK FOR THE AMOUNT TO BE REFUNDED, IT WILL BE SENT SOON UNLESS YOU OWE OTHER FEDERAL TAXES. IF YOU DO OWE OTHER FEDERAL TAXES, WE MAY APPLY ALL OR PART OF THIS REFUND TO THOSE TAXES AND SEND YOU AN EXPLANATION OF HOW THE REFUND WAS APPLIED. NO ACTION IS REQUIRED OF YOU.

*See codes on the back for an explanation of penalty and interest charges.
To make sure that IRS employees give courteous responses and correct information to taxpayers, [illegible]



3r quarter
7th 941

3130

READING, PA. 19612

8-16 1983

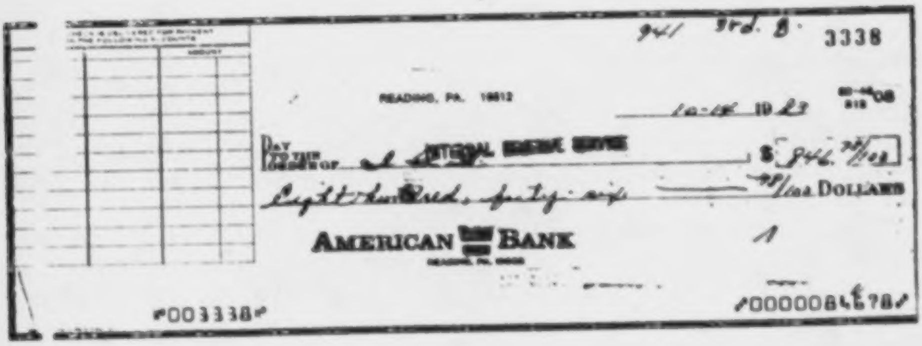
60-48/313 08

PAY TO THE ORDER OF I. R. S. INTERNAL REVENUE SERVICE $ 832 46/100

Eight hundred thirty & two —46/100 DOLLARS

AMERICAN BANK
READING, PA.

⑈003130⑈ ⑆0000083246⑆



941 3rd. Q.

3338

READING, PA. 19612

10-18 1983

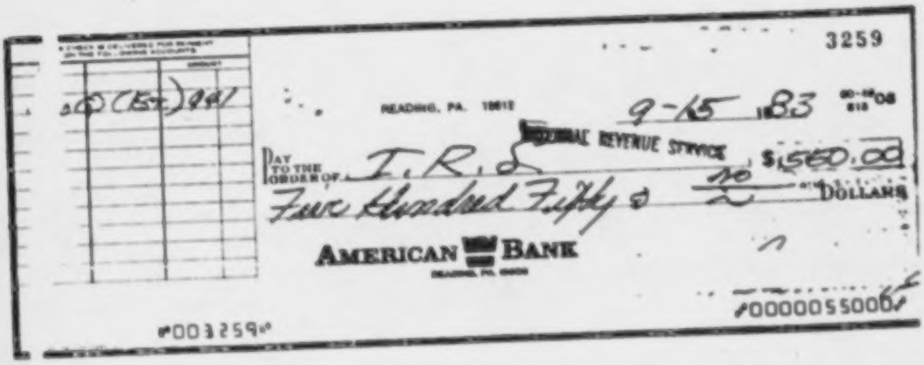
60-48/313 08

PAY TO THE ORDER OF I. R. S. INTERNAL REVENUE SERVICE $ 846.78/100

Eight hundred forty-six —78/100 DOLLARS

AMERICAN BANK
READING, PA.

⑈003338⑈ ⑆0000084678⑆



3Q (Est) 941

3259

READING, PA. 19612

9-15 1983

60-48/313 08

INTERNAL REVENUE SERVICE

PAY TO THE ORDER OF I. R. S. $550.00

Five Hundred Fifty & no/100 DOLLARS

AMERICAN BANK
READING, PA.

⑈003259⑈ ⑆0000055000⑆

Senator **Specter**. Well, you gentlemen have certainly outlined a very serious situation. Let me begin questioning if I may and ask you Mr. Zalles, where you say Congress should establish regulations or Congress should enact legislation. The problems that Senator Heinz and I face and our colleagues is what to do. We can legislate, we can regulate. Unless the officials administer and carry out their functions, it is not possible to get congressional directions to execute it and that's the difficulty we face. You say that you call the IRS to determine if your return has been processed. That as an evidentiary matter if it came to court would have relatively little weight and unless you have a document in hand it will be the testimony of one person against the system. The whole enforcement mechanism—we live in a society which has self-regulation on taxes. Of course, if you had a salary, it is deducted on a W-2 form, as Senators' salaries are, but beyond that it is a voluntary tax reporting system. The whole prosecution matter which I have intimate familiarity with, having worked in a collateral field for many years, requires public confidence in the system. The next time the U.S. attorney brings prosecutions against people for failing to file a tax return, who is going to believe that IRS knows who has filed what? There is a breakdown in this whole area which just defies the whole revenue collection system which we have.

Now, Mr. Zalles, you say we should regulate, we should legislate. What do you suggest? You are a practitioner dealing with this matter day in and day out. What would you suggest Senator Heinz and I do?

Mr. **Zalles**. You have in your hands about eight pages of recommendations of changes. One has to do with responsiveness by extending the telephone hours to 8, maybe 9, 10 at night so that practitioners and the working people have an opportunity to get contact.

No. 2, having separate phone numbers for the different purposes that we are trying to get information about, to have specific situations——

Senator **Specter**. What do longer hours and separate phone numbers mean if there aren't sufficient lines to accommodate callers?

Mr. **Zalles**. It would spread out the work load and hopefully give us an opportunity to get through to a greater extent. I think it also would make sense for serious consideration to be made for filing tax returns during the entire year. I know that the first response will be a financial one that says we cannot do it because of all the money that comes in in taxes in April. This is a fallacy. By their own statistical information, 80 to 85 percent of all taxpayers are on either estimated payments and/or withholdings.

In addition, 80 to 90 percent of all taxpayers get refunds. Therefore, this would have absolutely no effect on the IRS's standpoint. It would permit them to smooth out the work load of personnel, work load on the computers and also to hopefully hire more competent, more courteous personnel without having to go through retraining every year and I think all the practitioners and everyone who has been subjected to the types of problems that we have this year hopefully could look forward to better years.

Some of the practitioners are now wearing buttons that say tax season is only 6 months away.

Senator HEINZ. Mr. Zalles, at the beginning of the hearing I described legislation that I will be introducing as soon as Congress reconvenes. Were you here for that?

Mr. ZALLES. Yes.

Senator HEINZ. Do you think that will help solve the problem?

Mr. ZALLES. I don't think it will help solve the problem. It will help soothe those who do not get the interest from the date of filing. But I think that at times it may behoove the IRS and the Treasury to delay making refunds if the interest rate that they are by law required to pay, because of the time when the interest was calculated, interest rate was determined is lower than the going interest rate and based upon those comparisons they might just decide instead of going out and borrowing more money just to hold the checks longer.

Senator HEINZ. So you are saying that we should set the interest rate maybe 1 percent higher than the cost of borrowing to the Treasury as a minimum?

Mr. ZALLES. As a minimum at least. And also some type of statistics should be maintained internally that the IRS should on a regular daily basis as any good business with proper management information, they should have a complete statistical analysis each day, how many returns are processed and what their backlog is. I am almost sure that they have it. I am surprised that many of the things that have been asked for publicly and possibly privately have not been provided to Congress.

Senator HEINZ. So what are you suggesting is that the IRS be at a minimum required to log every, on their computer, every return they receive each day as a basic management accounting technique?

Mr. ZALLES. Yes. At least they know they have received it. The gentleman mentioned before that he had gotten a receipt back from the mail, I forget the term at this point, that it was sent certified mail. All that that guarantees is that he mailed something to the Internal Revenue on that date. It does not guarantee in any way, shape or form in either direction that the tax return was processed or that even the tax return was in the envelope. Unfortunately, that's the best that we can do at this point. The only way anyone can be sure is actually to take their tax return in and have it stamped.

Senator SPECTER. I would say if he has a certified receipt, registered, certified, that's good evidence. The IRS is going to have a tough burden to overcome when a taxpayer has that. Just thinking ahead to what happens in the courtroom.

Mr. ZALLES. I just today received a postcard for one of my clients out of the Fresno office dated June 21 acknowledging receipt of a correspondence that they will respond to in 30 days. Interestingly, their own indication on there is that the correspondence is dated April 15, 1984 and that is when the correspondence was sent, so it's 15 months just for them to respond that they received correspondence.

Senator HEINZ. What else should we do legislatively to make sure that the IRS has the strongest possible incentive not to let this reoccur and that the taxpayer is always made whole?

Mr. ZALLES. One of the things that is key is possibly in some way to get someone who is running the IRS to be a management type of person. You don't need an accountant. You don't need an attorney. You need people who are managerially oriented.

Senator HEINZ. I am really focusing on legislation which creates a set of incentives.

Mr. ZALLES. Incentives or procedures?

Senator HEINZ. Procedures I am all for.

Mr. ZALLES. As I said, there is about 10 pages of procedures there of procedural problems but I think one of the things that is important is to try to set a deadline after which no more tax changes for tax forms or laws can be made which gives an opportunity for the IRS personnel to properly design forms, develop programs, test them out as well as for the computer services and computer programmers throughout the country to get information so that they can program theirs as well. There has to be better coordination between the people who are writing the laws and the people who figure out how they are going to be administered. You are talking about having indexing. With the problems that we have now, you tell me how in the world any taxpayer, let alone tax preparer, is going to index every sale of every stock or any capital gain based upon specific inflation factors. It's an impossibility and they are imposing impossible situations into the tax laws that can't be done, can't be calculated, can't be processed, let alone the fact that in this case, the case of the tax exempt interest calculation, there was a slip between the keypunching procedure and data processing of how to do the calculations.

Senator HEINZ. That was the line 21 problem that you spoke about?

Mr. ZALLES. Yes.

Senator HEINZ. That was just business?

Mr. ZALLES. No, no, this is individuals.

Senator HEINZ. I heard you say that and not being an accountant, I didn't follow it as carefully as I wanted to.

Mr. ZALLES. Well I had to rush because of the lights.

Senator HEINZ. Well, we do these things to people too. Could you just go through that one more time?

Mr. ZALLES. Having a few more minutes, I can explain it a little more clearly. The calculation for taxable Social Security is based upon what is called an adjusted gross income figure without Social Security plus one half of the Social Security amount plus the tax exempt interest that someone may have had. There is no place on the tax form on which tax exempt interest is reported.

As a result of that, the IRS in its infinite wisdom included a worksheet in the new tax booklet for calculations to be made but that calculation is not included with the tax return for some unknown reason, similar to the problems we have with taxable dependent tax returns.

As a result——

Senator HEINZ. I now understand the problem.

Mr. ZALLES. As a result, the figure was not inputted. There are no 1099's to report it to the Government. So there is no way unless the Government keypunches that figure in that they can include it in their calculation.

Alluding to, by the way, the comment by my colleague here concerning the business taxes, it's an analagous situation. They came out with a new system with the coupons. They gave no notice to anybody that it was coming out. They didn't tell us it was effective for the fourth quarter of 1983 or the first quarter of 1984. The form when it was sent out is designed in such a way that there is no indication on the slip at all of what corporate year it is to apply to. If you are sending a balance of the last years tax, you are also at the same time sending an estimate for the coming year's tax. There is no place on the form to indicate which year is to apply to.

We have a similar situation in the January payment of payroll taxes. There is millions of dollars and this can be verified with the IRS through the Public Affairs Office, millions of dollars of unapplied and misapplied business taxes, business payments throughout this country that they have been trying to track down for a year and a half.

Senator HEINZ. Thank you.

Senator SPECTER. Thank you. Thank you very much, Mr. Zalles, thank you very much, Mr. Grimes. We very much appreciate your attendance.

I'd like now to call Mr. J.C. Hickey, division manager of network services for Bell of Pennsylvania.

[Pause.]

Senator SPECTER. Mr. Hickey, welcome. We had the occasion to meet—your president last night, Mr. Gil Wetzel. It might not be inappropriate to repeat a brief conversation. Henry Kissinger, then the Secretary of State, commented, that he had great difficulty in operating his telephone with the new service. Henry Kissinger said it takes a Ph.D. to work this. Mr. Wetzel said "You are a Ph.D." He said "I can't work it anyway." That's a true story. You may proceed, Mr. Hickey.

Senator HEINZ. My only comment before you do is watch out that the Subcommittee on Administrative Practice and Procedure doesn't get into the business of the phone company these days between you and AT&T and everybody else, that will keep us here, for a long time.

Senator SPECTER. I wanted to assure you the subcommittee will not, but the full Judiciary Committee may.

OPENING STATEMENT OF JACK C. HICKEY, DIVISION MANAGER OF NETWORK SERVICES, BELL OF PENNSYLVANIA

Mr. HICKEY. Well, I want to thank you both for the opportunity to testify before the committee today and as you know, I have submitted some written testimony prior to the session.

Senator SPECTER. It will be made a part of the record without objection.

Mr. HICKEY. I'd like to at this point in time make a brief summary of that testimony if that is all right with you.

Senator SPECTER. Please do.

Mr. HICKEY. My name, as has already been stated, is Jack Hickey, a division manager for Bell of Pennsylvania. I have been working with the Bell Co. for 34 years. My present job as division network manager gives me the telecommunications network responsibility for the city of Philadelphia, including the downtown center city business community which we serve with eight electronic switching centers. In our eastern part of the State and Delaware there are 200 centers, that are tied together with a varying number of circuits to create a network so that anybody in any of those offices can talk to anybody else whenever they choose.

The network has been developed over a century of experience and uses a theory that I like to refer to as the theory of randomness. In essence, that theory states that no one center will be calling one particular telephone number or any particular center simultaneously. We have engineered this network so that we complete virtually all of our calls throughout the busiest days of the year with no problem. However, when specific events occur, and they do on occasion, it changes this theory of randomness to one of specific focus. Something gets the customers to call one very small group of numbers. This could be a call number for tickets for a Bruce Springsteen or a Neil Diamond concert or, as in the case at hand, people having a fantastic interest in taxpayer information numbers.

On March 18 we experienced such an event when an extraordinary number of calls was originated. We determined through analysis that they were directed toward one of the eight switching centers in downtown Philadelphia, one of the two market machines. We found that those numbers were the IRS tax information numbers. The load was so significant that it degraded the service in that center for all other customers who were also assigned to that switching machine.

Senator SPECTER. What happens at that time, Mr. Hickey? Everybody gets a busy signal?

Mr. HICKEY. It's not the fact that everyone, Senator, would get it but a very large number of calls compared to the normal would not be able to be completed and those numbers would receive a busy signal. Some calls were getting through.

Senator SPECTER. Is that what you call the diversion?

Mr. HICKEY. That to us is an overload situation.

At that point the load was so severe that in order to protect the network and to provide service for all the customers assigned to that machine, it was necessary for us to place a funneling effect, if you will, on the lines assigned to the IRS. We did this in 60 switching centers and in essence stopped calls from coming into the funnel at the originating end because they could not be handled at the terminating end under any circumstance. That kind of control allows the network to stay functional and protects the service for all the other customers that are assigned to that market switcher. Those controls have been in effect in varying degrees from March 18 to June 2. At the present time the network is flowing freely and we are monitoring daily the situation so that if network protection is needed again, they will be instantly applied.

Senator SPECTER. How many lines does IRS have to handle this incoming load?

Mr. HICKEY. They have at this point in time or at least they had through the majority of this time period, that are answered by a person. The number that was answered by an automatic answering device, there were 23 lines. I understand that within recent weeks the lines to the people answered service has been increased to 39.

Senator SPECTER. How many calls has IRS received automatically for the lines answered by a person?

Mr. HICKEY. Specific data is not available here this morning, Senator. I will be happy to furnish that to you but I would guess that during the periods of overload, because people were regenerating calls 20 and 25 times as we have heard earlier this morning, there as were as many as 6 to 8,000 calls offered in 1 hour to that number.

Senator SPECTER. Six to 8,000 calls an hour and how many is that in a day? The series in the Inquirer has, as I recall, specified something in the neighborhood of 40 to 50,000 calls a day. Would that be approximately correct?

Mr. HICKEY. That would not be out of the range, in that heavy load period.

Senator SPECTER. Now, are those calls being directed to the lines which are answered by a person or to the person and machine both?

Mr. HICKEY. It's both, depending on the number they dial.

Senator SPECTER. How many lines would it take to accommodate 40 to 50,000 calls a day?

Mr. HICKEY. I am not sure. I could speculate on that but I would say at this point in time that with the number of calls being offered to the machine, I think if the IRS doubled or tripled the numbers of stations. There would still be a problem in completing all of those calls. Obviously an addition to the system would provide a lot more capabilites to be served, but during the heavy periods of time with the people regenerating so much traffic it's hard to get your hands around what would be an actual load if they were able to handle all that was given to them.

Senator SPECTER. Well, let's just take a minute and figure it out. You have 34 lines, up to 39, 23 more, so you are talking about 57, a magical number, or 62. If you project that a telephone call is going to take, what would be a reasonable period of time, 5 minutes, 6 minutes?

Mr. HICKEY. Three to 5 minutes.

Senator SPECTER. If you take 5 minutes and you have, say 7,000 calls, take the middle between 6 and 8——

[Pause.]

Senator SPECTER. I'd like you to make a projection for me, if you would.

Senator HEINZ. Let me give you what, how I would do it which is if you assume, handle 12 calls an hour—assume that you actually need to talk to a person and say there are roughly 34 people there, the question is how many can the system handle in a day and the answer is about 3,000 calls a day as opposed to 5 to 8,000 calls an hour.

Senator SPECTER. 3,000 calls a day. So if you are projecting 40 to 50,000, you are talking about 13 times, 17 times, say 15 times as many lines as there are.

Mr. HICKEY. The only part that I would raise a comment about is that the problem becomes one of regenerated traffic. You cannot calculate demand on a straight arithmetic basis because of the fact that so much of this traffic is people who can't get through instantly redialing. Now, the difference would not be a straight line projection. They would add more lines but somewhere between what they have and what you have calculated would be the correct number, but it would not be at that high level.

Senator SPECTER. Well, you also can't postulate 5 minutes. See how little we can get done in 5 minutes?

Mr. HICKEY. Exactly. That's true.

Senator SPECTER. Even with specific answers and incisive questions.

Mr. HICKEY. A lot.

Senator SPECTER. What do you think the answer is, Mr. Hickey?

Mr. HICKEY. Well, as far as the telephone company is concerned, we definitely plan to be talking to the IRS about the——

Senator SPECTER. How about the IRS talking to you?

Mr. HICKEY. They are not talking to me as the network manager but——

Senator SPECTER. Are they talking to anyone?

Mr. HICKEY. I don't know for sure.

Senator SPECTER. They haven't called you?

Mr. HICKEY. No.

Senator SPECTER. You plan to be talking to them?

Mr. HICKEY. The company plans to be talking to the IRS about their communications situation, to see if there is anything that we can be responsive to for their needs. They are the company that has to decide what they want in the way of facilities and service.

Senator SPECTER. But so far as you know, IRS has not initiated those efforts to solve the problem?

Mr. HICKEY. As far as I personally know, no.

Senator SPECTER. And they would be likely to come to you or to someone if the matter were called to your attention.

Mr. HICKEY. It would be handled through what we would call our marketing department which would be a separate group from mine. I am in the operations group handling automatic dial switching and the provision and the arrangement for new services would be handled by the marketing organization.

Senator SPECTER. But would it be likely to come to your attention?

Mr. HICKEY. When the order was actually consumated we would do installation activity, that's right.

Senator HEINZ. I think Mr. Hickey has been very responsive. The only thing he hasn't suggested is putting AT&T back together, but that's another subject.

Mr. HICKEY. We don't talk about it.

Senator HEINZ. Thank you very much, Mr. Hickey.

Senator SPECTER. Thank you very much, Mr. Hickey. Your testimony was very informative. If you could follow up, Mr. Hickey, by giving this subcommittee, Senator Heinz, and myself, a projection as to what ought to be done, we would be appreciative. We do not want to wait to see what someone else is going to do about this problem. We want to take the initiative and see an appropriate plan projected. We do have, I think, the muscle to get enough telephones in. I do believe we could do that legislatively and your expertise would be very helpful. If you will take a look at what the realistic situation is and submit a proposal, we would be grateful.

Mr. HICKEY. Be happy to.

Senator HEINZ. I must say, though, that I am surprised, maybe shocked to note that the Internal Revenue Service in spite of the practical breakdown of their telephone system has never called the telephone company to see how they might get some help.

Senator SPECTER. They couldn't get through.

Mr. HICKEY. At least not the operations department.

[Prepared statement follows:]

PREPARED STATEMENT OF JACK C. HICKEY

THANK YOU FOR INVITING ME TO TESTIFY BEFORE THIS COMMITTEE. I AM JACK HICKEY, DIVISION MANAGER, NETWORK FOR BELL OF PA. DURING MOST OF MY 34 YEARS WITH BELL, I HAVE MANAGED THE COMPLEX COMMUNICATIONS NETWORK THAT PROCESSES MILLIONS OF CALLS A DAY IN DOWNTOWN PHILADELPHIA UTILIZING 8 ELECTRONIC SWITCHING CENTERS.

THE PURPOSE OF MY TESTIMONY IS TO EXPLAIN THE NATURE OF THE TELEPHONE NETWORK PROBLEMS EXPERIENCED OVER THE PAST THREE MONTHS DUE TO CALLS BEING MADE TO SEVERAL LINES INTO THE IRS OFFICES AT 6TH AND MARKET STREETS IN PHILADELPHIA.

IN ORDER TO EXPLAIN THE IRS SITUATION, I WILL FIRST BRIEFLY EXPLAIN THE WAY THE TELEPHONE NETWORK WORKS FOR ONE LOCAL CALL. THEN I WILL SHOW WHAT HAPPENS WHEN AN EXTRAORDINARY NUMBER OF CALLS ARE PLACED AT THE SAME TIME TO THE SAME TELEPHONE NUMBER. THAT'S WHAT HAPPENED WITH IRS. FINALLY, I WILL EXPLAIN WHAT ACTIONS WE AT BELL CAN AND DO TAKE WHENEVER EXCEPTIONALLY HIGH VOLUMES OF CALLS ARE MADE AT ONCE TO ONE NUMBER.

FIRST, ONE LOCAL CALL. IF A CUSTOMER IN CHESTNUT HILL, FOR EXAMPLE, WANTS TO CALL A DOWNTOWN PHILA. NUMBER, THE CALL FIRST TRAVELS FROM THE CUSTOMER'S HOME TO THE BELL OFFICE IN CHESTNUT HILL. FROM THERE, THE CALL IS CARRIED OVER ONE OF THE CIRCUITS THAT CONNECT THE CHESTNUT HILL OFFICE DIRECTLY TO ONE OF THE EIGHT DOWNTOWN OFFICES. USING THE MARKET OFFICE AS AN EXAMPLE, LET'S SAY THERE ARE 100 SUCH CIRCUITS BETWEEN THE CHESTNUT HILL AND MARKET OFFICES. THIS MEANS THAT ONLY 100 CALLS CAN BE HANDLED AT ANY ONE TIME BETWEEN CHESTNUT HILL AND THAT MARKET OFFICE. THIS NUMBER IS PLENTY FOR EVEN THE BUSIEST TIMES OF DAY. WE KNOW, THROUGH A CENTURY OF EXPERIENCE, THAT NOT EVERYONE IN AN OFFICE WANTS TO MAKE A CALL SIMULTANEOUSLY. BY DESIGNING OFFICES AND THE CIRCUITS BETWEEN OFFICES TO ACCOMMODATE THE NUMBER OF CALLS EXPECTED ON A BUSY DAY, VIRTUALLY ALL CALLS GET THROUGH, YET WE HAVE BUILT AN EFFICIENT, COST-EFFECTIVE SYSTEM. THE CALL WOULD BE CARRIED OVER ONE OF THESE 100 CIRCUITS TO THE MARKET OFFICE, THEN OUT TO THE

TELEPHONE NUMBER THAT WAS CALLED. IF THAT NUMBER IS BUSY, THE CALLER IN CHESTNUT HILL WOULD HEAR A SLOW BUSY SIGNAL, INDICATING THAT SOMEONE IS USING THAT LINE ALREADY. IF THE CALLER WERE THE 101ST CALLER FROM CHESTNUT HILL, THERE WOULD BE A FAST BUSY SIGNAL, MEANING "THERE ARE NOT ENOUGH LINES TO TAKE YOUR CALL TO THE MARKET OFFICE AT THAT MOMENT".

THAT EXPLAINS AN ORDINARY CALL, IN VERY BASIC TERMS.

IN EXTRAORDINARY CIRCUMSTANCES - THE FIRST DAY OF TICKET SALES FOR A BRUCE SPRINGSTEEN CONCERT, FOR EXAMPLE - MANY PEOPLE MAKE MANY, MANY CALLS FROM MULTIPLE OFFICES THROUGHOUT THE CITY AND SUBURBS. ASSUMING THAT THERE WERE 100 OR FEWER FROM CHESTNUT HILL, ALL OF THOSE CALLS WOULD GO THROUGH THE CHESTNUT HILL CENTRAL OFFICE TO THE MARKET OFFICE. ONCE THERE, THEY WOULD BE JOINED BY 100 CALLS FROM WEST PHILADELPHIA, 100 MORE FROM MAYFAIR, AND SO ON. THE MARKET OFFICE WOULD BE RECEIVING AN EXTRAORDINARY NUMBER OF CALLS - FAR TOO MANY FOR THAT ONE TELEPHONE LINE TO HANDLE. EVEN TOO MANY FOR 20 TELEPHONE LINES OR 30 - OR THE 45 THAT IRS HAD UNDER TWO TELEPHONE NUMBERS. WHEN AN EXTRAORDINARY NUMBER OF CALLS IS MADE TO ANY TELEPHONE NUMBER AT THE SAME TIME, MANY PEOPLE GET BUSY SIGNALS. SOME WOULD HEAR THE SLOW BUSY SIGNAL THAT SAYS, IN EFFECT, "THE TELEPHONE LINE YOU CALLED IS ALREADY IN USE." SOME WOULD GET "FAST" BUSY IF ALL THE TRUNKS TO MARKET WERE IN USE. SOME CALLS WOULD GET TO THE MARKET OFFICE, BUT WOULD GET A FAST BUSY SIGNAL THERE IF THE MARKET OFFICE WERE UNABLE TO PROCESS ALL THE OFFERED CALLS.

WHAT HAPPENED WITH IRS IS THIS. STARTING ON MONDAY, MARCH 18, AN EXTRAORDINARY VOLUME OF CALLS WAS PLACED TO THE IRS TAXPAYER INFORMATION NUMBERS. MANY PEOPLE CALLING THE IRS GOT BUSY SIGNALS, SO THEY DIALED AGAIN. AND AGAIN. AND AGAIN. THIS REPEATED CALLING JUST COMPOUNDED THE PROBLEM - TYING UP TRUNKS INTO THE MARKET OFFICE. AS A RESULT, ANYONE TRYING TO CALL ANY MARKET NUMBER IN THAT OFFICE - FOR THE IRS OR FOR ANY OTHER BUSINESS OR RESIDENCE - HEARD A BUSY SIGNAL. THEN THEIR REPEATED ATTEMPTS CONTINUED TO COMPOUND THE PROBLEM.

However, at no time was there a danger of crippling the city's communications. This problem was confined to one of the 8 downtown offices. Starting Monday morning March 18, our internal monitoring process detected that an inordinately high volume of calls was being directed to the Market office, and our customers began complaining about busy signals when calling some Market telephone numbers. By 2:00 that afternoon, we determined that the heavy volume of calls was being placed to the IRS' numbers.

Once we had determined what telephone numbers the people were dialing, we started controlling the flow of calls into the Market office. Starting at 3:00 on Monday afternoon, March 18, we followed procedures that have been established for many years. We funneled the calls into IRS, while letting all other calls go through. In 60 switching offices in Eastern Pennsylvania, our equipment was instructed to avoid much of the congestion in the Market office by forwarding to Market only half of the calls placed to the IRS number. By routing the other half of the calls to a fast busy signal or a recording "All circuits are busy," we avoided sending them all to Market. This, in effect, allowed calls to other numbers in the Market office to get through, while still sending through to the IRS many calls, in fact, more calls than their lines could actually accommodate.

We never cut off calling to the IRS. What we did do from March 18 to June 5 is to use a sort of funnel effect to take this overwhelming volume of calls and narrow it down to a flow that would allow the rest of the subscribers in the Market office to receive calls.

As soon as we put this funneling into effect, our switching office at Market began the efficient handling of incoming calls once again.

All of us who were and are involved with this issue wish that several things had been different. Out of courtesy, we at Bell should have contacted the IRS officially once we realized

THE MAGNITUDE OF CALLING VOLUMES AND THE EXTENDED PERIOD OF TIME THAT THIS SITUATION WAS CONTINUING. I HAVE TO ADMIT, THOUGH, THAT NO ONE COULD HAVE PREDICTED THE VOLUME OF CALLS THAT WERE PLACED. EVEN IF WE HAD CALLED IRS AS SOON AS WE REALIZED THE MAGNITUDE OF THE PROBLEM, THERE ISN'T VERY MUCH THAT EITHER OF US COULD HAVE DONE TO HAVE MADE A DIFFERENCE, TELEPHONE-WISE.

EVEN IF THE IRS HAD IMMEDIATELY DOUBLED, TRIPLED OR EVEN QUADRUPLED THE NUMBER OF THEIR TELEPHONE LINES, THEY NEVER COULD HAVE HANDLED THIS EXTRAORDINARY VOLUME OF CALLS. ASSUMING THAT THE IRS PERSONNEL WERE ALREADY HANDLING THE CALLS AS QUICKLY AS THEY COULD, OUR CONTACTING THEM ABOUT OUR FUNNELING THEIR CALLS WOULD HAVE BEEN POLITE, BUT NOT REALLY PRODUCTIVE.

FOR THE IMMEDIATE FUTURE, WE WILL CONTINUE TO ANALYZE CALL VOLUMES TO DETERMINE WHETHER NETWORK PROTECTION IS NEEDED AGAIN. FOR THE LONGER TERM, WE FEEL CONFIDENT THAT AS WE LEAVE THIS TAX SEASON'S PROBLEMS BEHIND, WE AND THE IRS WILL WORK TOGETHER TO PLAN FOR THE FUTURE.

Senator SPECTER. Thank you. I'd like to call now Mr. William D. Waters, Regional Commissioner for IRS midatlantic region, including the Philadelphia Service Center.

Mr. Waters, we welcome you here with your colleagues and let me say at the outset that I have known you for some time, have visited the IRS Center and respect your professionalism. I know of your long tenure in the Internal Revenue Service and I understand that there are devoted employees in the Internal Revenue Service who are coping with this massive, difficult problem and my own sense is that the faults lie at the top in terms of direction, management, and implementation and we find a situation locally where there are professionals who are working hard, many people doing a job against Herculean odds and regrettably the brunt—some may think the brunt is directed at you and I know that we do not feel that way. We understand the kinds of problems you are having so I just want to say that at the outset. The service that the individuals have done against overwhelming odds, we are asking you to do things that are arithmetically impossible.

With that brief introduction, would you introduce the gentlemen who are here with you?

OPENING STATEMENT OF WILLIAM D. WATERS, REGIONAL COMMISSIONER OF THE IRS MIDATLANTIC REGION

Mr. WATERS. To my left is Fred Endrikat who is our Assistant Regional Commissioner for Data Processing, in whose area service center operation falls. To my right is Joseph Cloonan, who has been newly appointed as the Director of the Philadelphia Service Center. Joe has been here for a period of time starting in February. His appointment came through on June 10 and he's now in the process of relocating.

Prior to assuming this position he was the Director of the Service Center at Andover, MA.

Seated next to Mr. Cloonan is Mr. Spagnuolo who is acting for Mr. Cloonan while he moves his household to the Philadelphia area. He has beeen here since June 10 trying to keep his hands on the throttle. His permanent assignment is the Assistant Service Center Director at Brookhaven, Holtsville, NY.

Senator **Specter**. Thank you for the introductions, Mr. Waters. You may proceed.

Mr. **Waters**. I had a short statement, Senator, but in the interest of time, if you want to just have it for the record.

[Prepared statement follows:]

PREPARED STATEMENT OF WILLIAM D. WATERS

GOOD MORNING SENATOR HEINZ AND SENATOR SPECTER.

I APPRECIATE THIS OPPORTUNITY TO APPEAR BEFORE YOU TODAY TO DISCUSS THE 1985 FILING SEASON IN THE PHILADELPHIA SERVICE CENTER. I PLAN TO FOCUS MY REMARKS ON THE AREA OF GREATEST CONCERN TO YOU, YOUR CONSTITUANTS AND THE SERVICE, THE PROCESSING OF INDIVIDUAL INCOME TAX RETURNS ENTITLED TO REFUNDS AND TO PROVIDE THE MOST CURRENT STATISTICS ON THE PROGRESS OF PROCESSING TO DATE.

WITH ME TODAY ARE FRED ENDRIKAT, THE ASSISTANT REGIONAL COMMISSIONER (DATA PROCESSING), JOSEPH CLOONAN, THE NEWLY APPOINTED DIRECTOR, PHILADELPHIA SERVICE CENTER, DONALD SPAGNUOLO, THE ACTING SERVICE CENTER DIRECTOR, AND DANIEL SEKLECKI, THE PUBLIC AFFAIRS OFFICER FOR THE MID-ATLANTIC REGION. WE WILL BE AVAILABLE TO TRY TO ANSWER ANY QUESTIONS YOU MAY HAVE AT THE CONCLUSION OF MY OPENING STATEMENT.

OVERVIEW OF MID-ATLANTIC REGION AND THE PHILADELPHIA SERVICE CENTER

WE ALL KNOW THAT THE 1985 FILING SEASON HAS BEEN A DIFFICULT ONE FOR THE IRS AND FOR THE PHILADELPHIA SERVICE CENTER IN PARTICULAR. IN ORDER TO PUT THESE EVENTS IN PROPER PERSPECTIVE, I WOULD LIKE TO PROVIDE YOU WITH A BRIEF OVERVIEW OF THE RESPONSIBILITY OF THE MID-ATLANTIC REGIONAL OFFICE AND THE PHILADELPHIA SERVICE CENTER.

MY OFFICE IS RESPONSIBLE FOR THE OVERSIGHT OF IRS DISTRICT OFFICE OPERATIONS IN NEW JERSEY, PENNSYLVANIA, MARYLAND, DELAWARE, VIRGINIA, THE DISTRICT OF COLUMBIA AND ALL AMERICAN TAXPAYERS OVERSEAS. WE EMPLOY APPROXIMATELY 9,600 INDIVIDUALS CHARGED WITH THE RESPONSIBILITY OF ADMINISTERING THE FULL SCOPE OF FEDERAL TAX LAWS IN OUR REGION. APPROXIMATELY 1400 EMPLOYEES WORK IN OUR PHILADELPHIA DISTRICT OFFICES AND THROUGHOUT EASTERN PENNSYLVANIA AND ANOTHER 700 ARE EMPLOYED IN WESTERN PENNSYLVANIA BY OUR PITTSBURGH DISTRICT OFFICE.

THE PHILADELPHIA SERVICE CENTER IS RESPONSIBLE FOR PROCESSING SOME 14 MILLION TAX RETURNS OF ALL KINDS AND IS ACCOUNTABLE FOR A TOTAL OF APPROXIMATELY $60.2 BILLION OF TAX REVENUE. IT EMPLOYS A WORKFORCE OF 2,500 EXPERIENCED, DEDICATED EMPLOYEES.

THIS YEAR THROUGH JUNE 21, 1985 PSC HAS RECEIVED A TOTAL OF 7,911,000 INDIVIDUAL INCOME TAX RETURNS, AN INCREASE OF 136,000 OVER THE ANTICIPATED VOLUME. WE HAVE COMPLETED THE PROCESSING OF 6,405,000 OF THOSE RETURNS.

THE 1985 FILING PERIOD

IRS COMMISSIONER ROSCOE EGGER RECENTLY PROVIDED AN OVERVIEW OF OUR COMPUTER-RELATED PROBLEMS DURING HIS APPEARANCE BEFORE THE SUB-COMMITTEE ON OVERSIGHT OF THE HOUSE WAYS AND MEANS COMMITTEE. HE EXPLAINED THE NEED TO REPLACE OUR 20 YEAR OLD SYSTEM AND THE MONUMENTAL TASK OF CONVERTING TO THE NEW SYSTEM.

IN PHILADELPHIA, WE ALSO EXPERIENCED A NUMBER OF THESE HARDWARE AND SOFTWARE PROBLEMS. THESE BEGAN TO OCCUR AT APPROXIMATELY THE SAME TIME THAT WE WERE CORRECTING A WELL PUBLICIZED ERROR IN NOT TIMELY CREDITING 26,000 BUSINESS TAX ACCOUNTS WITH PROPER FEDERAL TAX DEPOSITS. THESE EVENTS RESULTED IN DELAYS IN ERROR FREE PROCESSING OF RETURNS FILED IN JANUARY, FEBRUARY AND EARLY MARCH. IN THE FACE OF THESE PROBLEMS, WE TOOK IMMEDIATE ACTION. AMONG THESE STEPS WERE THE USE OF A PENNSYLVANIA DEPARTMENT OF WELFARE COMPUTER IN HARRISBURG TO PROCESS TAX RETURNS, THE EXTENTION OF OUR COMPUTER REALTIME AVAILABILITY TO IRS STAFFERS UP TO 15 HOURS A DAY, THE USE OF EXTENSIVE OVERTIME DURING WORK WEEKS AND WEEKENDS, THE TEMPORARY REASSIGNMENT OF PERSONNEL TO PROBLEM PROGRAM AREAS, THE CREATION OF A COMPUTER SOFTWARE PROGRAM WHICH PERMITTED INCREASED COMPUTER TAPE PROCESSING EACH WORK DAY, AND THE USE OF ADDITIONAL ON-SITE STAFF AND VENDOR PERSONAL TO ENHANCE OUR PROBLEM SOLVING ABILITIES.

AS WE WRESTLED WITH THESE RETURNS PROCESSING PROBLEMS AND AS THE MEDIA REPORTED ON THESE PROBLEMS AND OTHER ALLEGATIONS, WE EXPERIENCED AN EQUALLY CHALLENGING DILEMMA - THE DEMAND ON OUR TOLL-FREE TELEPHONE ASSISTANCE PROGRAM ROSE WELL BEYOND

ANTICIPATED LEVELS. FOR INSTANCE, FOR THE MID-ATLANTIC REGION AS A WHOLE, WE ANSWERED THRU JUNE 22, 1985 906,170 INQUIRIES. HOWEVER, WE HAVE RECORDED CALL ATTEMPTS IN EXCESS OF 1,800,000. NO AMOUNT OF PRE-PLANNING COULD HAVE ANTICIPATED THIS VOLUME. HERE AGAIN, HOWEVER, WE DID ACT. ALL SCHEDULED TELEPHONE LINE REDUCTIONS WERE CANCELLED AND WE BEGAN ADDING TELEPHONE CAPACITY. WE ALSO SUBSTANTIALLY INCREASED IRS STAFF AVAILABLE TO ANSWER TELEPHONE INQUIRIES AND ASSIST TAXPAYERS FACE-TO-FACE IN OUR WALK-IN ASSISTANCE CENTERS. ADDITIONAL CIRCUITRY ORDERS WE HAVE PENDING WILL INCREASE OUR CURRENT CAPACITY BY 29%.

CURRENT 1985 FILING SEASON STATISTICS

IT IS MY VIEW THAT IN THE FACE OF THESE UNUSUAL CHALLENGES, WE ATTACKED OUR PROBLEMS AND I BELIEVE DELIVERED A REMARKABLE PERFORMANCE. I AM PLEASED TO REPORT THAT AS OF LAST MONDAY, OUR INVENTORY OF TIMELY FILED, REFUND DUE RETURNS WHICH HAVE NOT YET COMPLETED PROCESSING IS 254,314, DOWN FROM 502,000 SUCH RETURNS ON HAND ON MAY 30, 1985. WE CONTINUE TO WORK LONG HOURS TO REDUCE THE INVENTORY OF PROBLEM RELATED RETURNS AND HAVE FULLY IMPLEMENTED SPECIAL PROCESSING PROCEDURES FOR DUPLICATE RETURNS FILED BY TAXPAYERS WHO HAVE NOT YET RECEIVED THEIR REFUNDS. THESE PROCEDURES SHOULD ENSURE THE ISSUANCE OF REFUNDS WITHIN FOUR WEEKS OF OUR RECEIPT OF A DUPLICATE RETURN.

I CAN ALSO REPORT THAT OUR ABILITY TO SERVICE OUR UNUSUALLY HIGH TELEPHONE DEMAND IS ALSO IMPROVING. DURING THE WEEK ENDING JUNE 22, 1985 OUR LEVEL OF SERVICE THROUGHOUT THE MID-ATLANTIC REGION HAS INCREASED TO 68% OF ALL CALL ATTEMPTS AND THE NUMBER OF CALLS WE ARE UNABLE TO ANSWER, THE OVERFLOW DEMAND AS WE CALL IT, HAS DECREASED 53% SINCE THE BEGINNING OF JUNE.

CONCLUSION

AS I SAID IN THE BEGINNING OF MY REMARKS, THIS HAS BEEN A DIFFICULT AND SOMETIMES FRUSTRATING FILING SEASON, NOT ONLY FOR THE TAXPAYING PUBLIC, BUT ALSO FOR THE MEN AND WOMEN WHO WORK FOR THE IRS IN THE MID-ATLANTIC AREA. I UNDERSTAND THE INCONVENIENCE EXPERIENCED BY SOME TAXPAYERS AND I SINCERELY REGRET IT.

AT THE SAME TIME, HOWEVER, I BELIEVE WE HAVE DONE ALL WITHIN OUR POWER TO CORRECT THE SITUATION AND CAN ASSURE YOU THAT WE WILL CONTINUE TO DO SO. I AM VERY PROUD OF THE EFFORTS MADE BY ALL OF OUR EMPLOYEES TO OVERCOME THESE PROBLEMS, PARTICULARLY THE EMPLOYEES AT THE PHILADELPHIA SERVICE CENTER. TO PARAPHRASE COMMISSIONER EGGER'S REMARKS DURING HIS RECENT VISIT TO THE CENTER - DESPITE OUR DIFFICULTIES THIS YEAR, WE NEED NOT TAKE A BACK SEAT TO ANYONE.

Internal Revenue Service Department of the Treasury

Regional Commissioner Mid-Atlantic Region 841 Chestnut Street, [illegible]

Honorable Arlen Specter
United States Senate
Room 331
Hart Building
Washington, D.C. 20510

JUL 5 1985

Dear Senator Specter:

Thank you for affording me the opportunity to give testimony at your hearings on June 28, 1985. During the course of the hearing, certain questions were raised which required a response to you. Accordingly, to the extent possible at this time, I offer the following comments on those questions.

Timely Filed 1984 Refund Returns and Refunds Issued by 6/1/85

Questions were raised as to the number of timely filed returns received by PSC and refunds issued by 6/1/85. That information follows:

Timely Filed Returns Rec'd	Refunds Scheduled for Payout by 6/1/85
6, 142,000	5,591,111

It is to be noted the figure shown for refund returns scheduled for payout thru 6/1/85 includes all such returns some of which were filed after the due date. We cannot break the number of returns in the latter category out of the figure shown. However, PSC has made a special run which indicates that as of June 24, 1985, 254,314 timely filed 1984 refund returns remain to be processed. The Director of PSC has been given a target date of July 26 for the completion of processing these returns.

On Wednesday, July 3, Mr. Marks of your staff requested information as to the number of 1984 refund returns received at PSC after the due date. This figure is 304, 546 as of June 28, 1985. This figure includes all "other than full paid" returns received.

Taxpayer Service

In response to the question as to adequacy of service provided to taxpayers in our telephone assistance area, we are providing the following information on level of service as follows:

Period Ending	MAR	Phila.	Pitts.
Feb. 27, 1985	73%	77%	71%
March 30, 1985	74%	74%	71%
April 27, 1985	72%	71%	69%
May 25, 1985	47%	46%	32%

It is to be noted that the sharp decrease in level of service during May is attributable to a revision in the method of computing demand as directed by our National Office.

Recognizing that our level of service for May 1985 was not satisfactory we initiated action to increase resources available to staff telephone lines through details of employees from other activities and to increase number of lines available. While these increases could not be effected immediately due to lead time required by the telephone company, we were able to improve our level of service as follows:

Period Ending	MAR	Phila.	Pitts.
June 8, 1985	48%	33%	31%
June 15, 1985	58%	54%	45%
June 22, 1985	68%	62%	68%
June 29, 1985	70%	69%	70%

The number of employees detailed into Taxpayer Service and hours worked by such detailees follows:

	MAR		Phila.		Pitts.	
Period Ending	Hours	Emp.	Hours	Emp.	Hours	Emp.
June 15, 1985	1,876	92	-----	----	541	23
June 22, 1985	2,903	112	698	29	645	21
June 29, 1985	3,574	178	813	28	684	21

To effect this improvement we were aided immeasurably by Ms. Mary Jackson IRS Government Accounts, AT&T and Ms. Mary Bradley - Government Accounts, Bell Atlantic.

In addition to the above actions, we have been in constant touch with AT&T, Bell Atlantic and Bell of PA, to see if further improvements in service can be made for the future. Mr. John Waldeyer of Bell Atlantic has been given data relative to our peak period needs. Mr. Waldeyer has indicated that he will provide a specific survey addressing these needs to you and to my office. Once we have received this information, we will review same, forward to our National Office for further consideration and get back to you with the results of our review.

Overtime Expenditures - PSC

As requested, following are expenditures for employee overtime at PSC during 1984 (Oct. 1 thru June 23) versus 1985 (Oct. 1 thru June 22). This is for pure "Returns Processing" activities only:

1984	1985
$923,219 (37 Staff Years)	$2,157,000 (88 Staff Years)

On Wednesday, July 3, 1985, Mr. Marks of your staff requested information on interest paid to IMF filers in 1985 versus 1984 either by Region or in total for the Service. He also requested information as to interest paid to 1040 filers where we did not process these returns within the 45 day period. We are in the process of attempting to obtain this information and will forward it shortly.

The questions raised at the hearing regarding the issues of (1) problems with refund check amounts issued to taxpayers on Social Security who had tax exempt income; (2) the matter of refund checks being dated May 30, 1985 and allegedly mailed June 7 and (3) my authority to provide a personal opinion about the special processing of $1500 and over timely filed 1984 refund returns have been referred to our National Office. I will respond to these remaining questions at the earliest possible date.

I trust this information is responsive to your questions and will be of assistance and value.

Sincerely yours,

William D. Waters
Regional Commissioner

cc: Senator Arlen Specter
Room 9400
Federal Building
600 Arch Street
Philadelphia, PA 19106

COMMITTEES:
JUDICIARY
APPROPRIATIONS
VETERANS' AFFAIRS

United States Senate
WASHINGTON, D.C. 20510

April 5, 1985

Honorable Roscoe L. Egger
Commissioner
Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, D. C. 20224

Dear Commissioner Egger:

Since I could not reach you by telephone today, I am writing to inform you of my dissatisfaction with and objections to changes made by Internal Revenue Service personnel on a visit which I made today to the Philadelphia Service Center after my office had notified the news media that they would be permitted to accompany me in limited numbers on my tour of the Philadelphia Service Center.

I had been wanting to visit the IRS center for some time after hearing of the problems which existed there. This morning my assistant, Mr. James E. Wagner, called Mr. James Davie, Acting Public Affairs Officer, and made arrangements for our visit. Mr. Wagner then talked to Regional Commissioner William D. Waters and then again to Mr. Davie. In the course of those conversations, Mr. Davie advised Mr. Wagner that representatives of the news media could accompany me on my tour of the facility subject to the limitation that there could not be so many news media personnel in any room so as to be disruptive of IRS operations.

In the presence of Messrs. Waters, Persky and Cloonan, Mr. Davie later confirmed to me that he had, in fact, advised Mr. Wagner that representatives of the news media (at least two) could accompany me on the tour.

After the news media had been notified by Mr. Wagner of my 12:30 p.m. visit, I was notified at about 11:45 a.m. or 11:50 a.m. that the news media would not be permitted to accompany me and that Mr. Davie had already notified the news media to that effect. Mr. Davie then said that I would receive a call momentarily from Mr. Stephen Hayes from Washington. When I did not receive that call, I then telephoned Deputy Commissioner Owens and told him what had occurred and of my dissatisfaction.

When I arrived at the Center, I told representatives of the news media that IRS had changed the authorization, but that I would make an effort to return to the IRS Center for a full visit accompanied by the media providing that could be arranged through higher governmental officials.

While I appreciate the necessity for IRS to establish policy with respect to news media access, it seems to me that it is not unduly burdensome for a group of six media personnel, which were on hand today, to accompany me on the visit.

There is enormous public interest in the operation of the IRS Center because of all the problems which it has recently had, and I believe that the public has a right to know what is going on and to have representatives of the news media accompany a United States Senator since that could be accomplished without any breach of security or any disruption of the IRS at the Center.

It is especially problemsome for IRS to change its authorization in the context which was done today, especially at the last moment.

Accordingly, I request that you personally review this matter.

I further request that representatives of the news media be permitted to accompany me on a visit to the IRS Center on Monday, April 29, which will be the first opportunity I will have to return there.

Sincerely,

Arlen Specter

AS:jb

cc: Deputy Commissioner James J. Owens
Regional Commissioner William D. Waters
Mr. Tom E. Perkey
Acting Director Joseph H. Cloonan
Mr. James Davis

ARLEN SPECTER
PENNSYLVANIA

COMMITTEES
JUDICIARY
APPROPRIATIONS
VETERANS AFFAIRS
INTELLIGENCE

United States Senate
WASHINGTON, DC 20510

June 14, 1985

The Honorable Roscoe L. Egger
Commissioner
Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, D. C. 20224

Dear Commissioner Egger:

Following up on my previous contacts with you and the IRS Philadelphia Service Center, I am writing today to express my concern about the deteriorating situation there which appears to be going from bad to worse.

My offices have been deluged with compalints, and I personally hear from outraged taxpayers when I hold open house/town meetings around Pennsylvania or from other contacts with my constituents. A typical story is recounted by Mr. Stanley Olkowski, III, who states that he filed his federal income tax return on February 16, 1985. Ten weeks later he attempted to contact IRS and got confusing responses on his telephone inquiry. On May 6, 1985 Mr. Olkowski sent a duplicate return by registered mail. After contacting my office in Philadelphia, he filed still another tax return and has not been able to get a satisfactory response as to when he will receive his refund of $4,666 or any satisfaction that the appropriate interest will be paid on his refund claim.

It is obvious that some action must be taken immediately to correct the deplorable situation which exists at the IRS Philadelphia Service Center.

I would appreciate it if you would advise me promptly, but in no event no later than June 21, on the following:

1. How many taxpayers serviced by the IRS Philadelphia Service Center are awaiting refunds?

2. How many telephone lines are being maintained by the IRS Philadelphia Service Center, and how many calls can be handled on a daily basis? (Media reports relate that 50,000 taxpayers a day are attempting to call IRS in Philadelphia, but less than 10% of its calls may be handled on a limited number of 53 access lines.)

3. Specifically, what action do you intend to take to establish adequate telephone service to respond to taxpayers' inquiries?

4. When do you anticipate that all refunds will be made by the IRS Philadelphia Service Center? (Previously you had been quoted as stating that all refunds would be mailed by May 30, 1985.)

5. Will you publicly state that taxpayers who are forced to refile will receive interest retroactive to April 15 at the 13% annual rate?

When the Senate Appropriations Committee had its markup on the supplemental appropriations yesterday, a number of Senators conferred about what action to take on the extraordinarily serious situation at the IRS Philadelphia Service Center. We have waited for some positive action on your part; but we are not prepared to wait any longer. We are willing to be of assistance, but it is imperative that prompt action be taken by someone on behalf of the United States government as a matter of basic fairness to hundreds of thousands of taxpayers who urgently need refunds to which they are entitled by law.

Sincerely,

Arlen Specter

AS:jb

By Hand

Internal Revenue Service
Department of the Treasury
Washington, DC 20224

Received
6/21

Control No: C000025782

Person to Contact:
Ann Lea
Telephone Number:
(202) 566-9883
Refer Reply to:
C:L
Date: 19 JUN 1985

The Honorable Arlen Specter
United States Senate
Washington, DC 20510

Attn: JB

Dear Senator Specter:

This is to acknowledge receipt of your inquiry dated June 14, 1985 concerning the Philadelphia Service Center.

Because of the nature of your inquiry, your letter has been referred to the appropriate Associate Chief Counsel.

Sincerely yours,

Ann Lea

Thomas J. Tiffany
Acting Director
Legislative Affairs Division

Senator SPECTER. Why don't you take the time you need? You have heard a number of witnesses who have testified. You know the problems in detail before hearing these witnesses. You have heard from Senator Heinz. You have heard from me. You have heard from others. Take whatever time you need to give a response.

Mr. WATERS. Thank you. I do appreciate the opportunity to appear today to discuss the 1985 filing season in the Philadelphia Service Center and I plan to focus my brief remarks on the area of greatest concern to you, your constituents, and the Internal Revenue Service, that is the processing of indivdual income tax returns that are entitled to refunds and to attempt to provide the most current status that we have on the progress of the processing to date.

We all know the 1985 filing season has been a difficult one for the Service, and particularly, for the Philadelphia Service Center. In order to put these events in proper perspective, I'd just like to provide a brief overview of the responsibility of the mid-Atlantic regional office, which is my office, and the Philadelphia Service Center.

We are responsible at the regional level for the oversight of IRS district office operations in New Jersey, Pennsylvania, Maryland, Delaware, Virginia, the District of Columbia, and all American taxpayers overseas. We have approximately 9,600 individuals charged with the responsibility of administering Federal tax laws in this region. Approximately 1,400 employees work in our Philadelphia District Office and throughout eastern Pennsylvania and another 700 are employed in western Pennsylvania by the Pittsburgh District Office.

Now, the Philadelphia Service Center is responsible for processing some 14 million tax returns of all kinds and is accountable for approximately $60 billion of tax revenue. It employs a work force of 2,500——

Senator SPECTER. How much tax revenue?

Mr. WATERS. $60 billion.

Senator SPECTER. $60 billion.

Mr. WATERS. $60 billion goes through the Philadelphia Service Center and we have a work force of some 2,500 dedicated employees.

This year through June 21 the Philadelphia Service Center received a total of 7,900,000 individual income tax returns, an increase of 136,000 over the anticipated volume and has completed the processing of 6,400,000 of those returns.

The Commissioner of Internal Revenue recently provided an overview of our computer-related problems during his appearance before the Subcommittee on Oversight of the House Ways and Means Committee. He explained the need to replace our 20-year-old system and the monumental task of converting to the new system. I am not going to go into the detail that he has already provided in his testimony but here in Philadelphia we also experienced a number of hardware and software problems with the newly installed system. These occurred at approximately the same time that we were correcting the well publicized error that we committed in not timely crediting some 26,000 business tax accounts with proper Federal tax deposits.

These events resulted in some delays in our error-free processing of returns in January, February and early March. In the face of these problems, we attempted to take some corrective action. Among these steps were the use of the Pennsylvania Department of Welfare computer in Harrisburg to process tax returns, and the extension of our computer real time availability to IRS staffers up to 15 hours a day in the district offices in this region. We used extensive overtime during work weeks and weekends and also temporarily reassigned personnel to problem program areas, created a computer software program which permitted increased computer tape processing each work day, and used additional onsite staff, our staff, and computer vendor personnel, to enhance our problem solving abilities.

As we wrestle with these problems and as the media reported on these problems and other allegations, we experienced an equally challenging dilemma, the demand on our Toll Phone Telephone Assistance Program, as has been detailed by previous witnesses, rose well beyond anticipated levels. For instance, in this region as a whole we answered through June 22, 906,000 inquiries by telephone. However, we recorded call attempts where individuals couldn't get into the system in excess of 1,800,000 calls. No amount of preplanning could have——

Senator SPECTER. Those were calls which did not get through, 1.8 million?

Mr. WATERS. That's right.

Senator SPECTER. 906,000 did get through, 1.8 million did not get through?

Mr. WATERS. Did not. We feel that no amount of preplanning could have anticipated this type of volume. Here again, we have attempted to deal with the situation. Throughout the region, we canceled all scheduled telephone line reductions which normally would have taken place once we went through the filing period, that is April 15 to the end of May, and began adding telephone capacity.

We also substantially increased the staff available to answer telephone inquiries and to assist taxpayers face to face in our walk-in assistance areas. Additional circuit orders we have pending will increase our current capacity by 29 percent.

It's my view that in the face of the challenges with which we had to deal that we attempted to attack our problems and to deliver what could be considered good, adequate performance. I am pleased to report that as of last Monday our inventory of timely filed refund-due returns at the Philadelphia Service Center which have not yet completed processing is at 254,314 returns. These are returns on which refunds are due and this is down from 502,000 such returns which we had on hand at the center on May 30, 1985 and we are continuing to work the long hours to reduce the inventory of problem-related returns and have fully implemented special processing procedures for duplicate returns filed by taxpayers who have not received their refunds.

I can also report that our ability to service our unusually high telephone demand is also improving. During the week ending June 22 our level of service throughout the mid-Atlantic region has increased to 68 percent of all call attempts and the number of calls that we are unable to answer, the overflow demand as we call it, has decreased 53 percent since the beginning of June. I think this is a natural occurrence as we move out of the filing period into the months of June and July, demand starts to fall off, as we are able to process those returns that should have been processed earlier.

As I said in the beginning, this has been a difficult, sometimes frustrating filing season, not only for the tax paying public and for the Congress, but also of the men and women who work for the IRS in this region. I understand the inconvenience that taxpayers have experienced and I sincerely regret it. At the same time, however, I believe locally we are doing all within our power to rectify the situation and I can assure you that we will continue to do so. I am particularly proud of the efforts made by all of our employees to overcome the problems encountered and particularly those employees at the Philadelphia Service Center.

Thank you.

Senator HEINZ. Mr. Waters, Senator Specter has kindly allowed me to go first. In my opening remarks I indicated that we received word from a confidential source at the Internal Revenue Service that there are some 500,000 tax returns that are lost, that have been destroyed. What can you tell us about that?

Mr. WATERS. I cannot verify that it is a factual statement. I have no knowledge of it. We can turn to the current director to confirm that. We have had stories in the course of the filing period, as you know, of that same type. We had reports of 20,000 returns destroyed at the Philadelphia Service Center—that returns were destroyed on the loading dock. I must put that in the same category. Those previous allegations were investigated, not only this year but in previous years. Some of these stories persist over a period of 6 to 7 years.

Senator HEINZ. Mr. Cloonan, you are a very able and experienced director. Do you know anything about 500,000 returns being lost, any portion of 500,000 returns being lost?

Mr. CLOONAN. No, sir, I do not.

Senator HEINZ. Gentlemen, Commissioner Egger gave a major speech at the National Press Club in late April after the April 15 filing deadline. In that speech he said the IRS would process and mail all the refund checks by June first. That didn't happen, did it?

Mr. WATERS. No, it did not.

Senator HEINZ. Now, how could it be possible—would you help us understand how the head of the Internal Revenue Service knowing that there are problems, who has had the GAO looking into problems, who has had you looking at the problems, after the tax deadline to file has passed when it is known how many returns have been received can within a week or two of having gotten all that information go before the entire National Press Corps and say that? Is Commissioner Egger uninformed, is he ignorant, did he lie or is there some more benign explanation?

Mr. WATERS. I hope I can provide a more benign explanation, that was his goal. Our goal was to process all refund returns by that date. That was the target. Now, as you know, I think every year there are a number of returns that aren't processed by what we call completion date because of some problem with a particular return. It may be a taxpayer problem, it may be a problem we created for the taxpayer; those returns are being worked through the system but that was the target. That was the target communicated to us throughout the service, that we were to process all of our returns by that date and we didn't make it.

Senator **Heinz**. I could understand that if you came within 5 percent but as I understand your testimony, you didn't come really anyplace close to that. As a matter of fact, you are yet, and we are talking of June 21 now, we are talking—we understand that you have not processed by your testimony over a million and a half returns. That's about 20 percent of all returns. How many returns were processed between June first and June 21?

Mr. **Waters**. Well, might I go back to the original proposition that you raised with me? The million and a half that I reported, we have not processed; approximately 1,200,000 of those are what we call full paid, balance due or even returns which are not planned for processing early on. In other words, we give priority to refund returns. What I was reflecting was that out of a total number of some 7,900,000 returns, we have processed 6,400,000—may I just proceed to fill this out? We have the 254,000 I spoke of that represent refund type returns and we are not going to process the others until we have really finished the refund returns. We will work some of those in as we go through the processing cycles but it doesn't become a completed effort until we have completed the refund processing.

Senator **Heinz**. Let's use a different base then. You had on hand 500,000 refund returns on May 30. How many refund returns—when you say on hand, those are unprocessed, with a check unmailed, is that correct?

Mr. **Waters**. That's right.

Senator **Heinz**. How many checks had you put in the mail as counted by returns, not by the number of checks—we have got instances of multiple check mailings—had you done prior to the first?

Mr. **Waters**. I don't have those figures at hand. Leading up to June first, how many refunds have we processed?

Senator **Heinz**. Yes.

Mr. **Waters**. I don't have the processing figures as of June 1.

Senator **Specter**. Could you please get those for us? That's a fairly important figure.

Mr. **Waters**. Yes.

Senator **Heinz**. Could you care to make an estimate? Would we be talking half a million, a million?

Mr. **Cloonan**. The figures that you have there Senator indicate we have had 500,000 timely filed refund returns as at the end of May or June first. So my opinion would be that that is the figure that you would be looking for.

Senator **Heinz**. You didn't get any refund checks out prior to June first?

Mr. **Cloonan**. Oh, sure.

Mr. **Waters**. Might I give you—might I give you my estimate of that? I think our figure processed total into June was something like 5,900,000.

Senator **Heinz**. End of June or May?

Mr. **Waters**. Into June, first or second week of June. These are refund returns that are processed——

Senator HEINZ. Here is the information I'd like to get. I am a little surprised we don't have it in view of all the interest on the timely refunding of checks, but the question is, No. 1, how many people did the IRS service properly in terms of taxpayers I should say, did the IRS service properly in terms of getting a refund check in the proper amount to them by the end of May? That's question No. 1. How many in the region?

Mr. WATERS. I am talking about approximately 5,900,000 but we will give you the exact figures.

Senator HEINZ. Five to ——

Mr. WATERS. 5,900,000.

Senator HEINZ. You had 5,900,000 refund checks?

Mr. WATERS. Processed. I will give you the exact figure through the end of May.

Senator HEINZ. Let me ask you this. I will need a little free taxpayer advice here. If I write a check that will entitle me to a deduction. Let's say I am paying a mortgage on my house and I put that in the mail on December 30 or December 31, am I entitled—of 1984—am I entitled to a deduction for 1984 in my 1984 taxes if I itemize?

Mr. WATERS. I would think so.

Senator HEINZ. If I mailed that check on January 7 am I entitled to a deduction—dated January 7—am I entitled to a deduction on it on my 1984 taxes?

Mr. WATERS. I wouldn't say so—no.

Senator HEINZ. If I would write lots of checks, lots and lots of checks, and date them December 31 or December 30 but not mail them until January 7, would I be guilty of doing something wrong?

Mr. WATERS. I think so.

Senator HEINZ. Would I be prosecutable for fraud, the intent to deceive?

Mr. WATERS. Well, I would never make that type of conclusion. It would raise some questions that we would probably look into—whether we would go ahead and prosecute for fraud is another determination that has to be made.

Senator HEINZ. If I intentionally did that, if I did it willfully, if I did it many, many times, if I knew what I was doing was, in fact, wrong would I be prosecutable?

Mr. WATERS. Prosecutable, yes; whether you would be prosecuted or not is something else again but it is the type of case that might be brought forward.

Senator HEINZ. OK. Would that be criminally prosecutable?

Mr. WATERS. I don't know. The circumstances you provided, whether that would be something that we would proceed on——

Senator HEINZ. Is that a violation of title 19 of the United States Code?

Mr. WATERS. I wouldn't dare to answer a question of that sort.

Senator HEINZ. The answer is I would be surprised if it wasn't a criminal offense. If I did it a million times I would think I should get multiple sentences.

Now, we have had someone before this committee just a few minutes ago testify that the IRS did that to taxpayers. You heard that testimoney.

Mr. WATERS. Yes, I heard it.

Senator HEINZ. If that testimony is accurate, what should we do? What should the IRS do to the person who instructed someone to cut two batches of checks all dated May 30, but knowing full well that one batch of those checks would not, could not under any circumstances be mailed until June 7? If that's true, what do you do with the person or people who did that?

Mr. WATERS. I don't know. I don't know, first of all, Senator—if it's an accurate portrayal of what took place in the processing.

Senator HEINZ. Well, if it is.

Mr. WATERS. If it is?

Senator HEINZ. Yes.

Mr. WATERS. And it was not in accordance with regulations?

Senator HEINZ. Yes.

Mr. WATERS. Then at least at the minimum there would be some administrative action taken. I don't know what the administrative action might be. I don't know if the situation presented is accurate—that I don't know; and the other question is whether that was within the scope of regulations that apply—and that I don't know. It's something that we can look into at the national office and get back to the committee.

Senator HEINZ. I would like you to do exactly that. If there is any way, if there is some regulation that says you can get around paying interest when you are late if you cheat, I'd like to see that, like to meet the person who wrote that regulation.

Mr. WATERS. We will get that for you.

Senator HEINZ. Senator Specter, I have taken too much time. I thank you.

Senator SPECTER. Not at all. I think your questions are excellent. I would like to follow up on the question that you just ended with. As Senator Heinz has brought out, based on facts that the witness testified to when the checks were dated on May 30 and were not mailed until June 7 obviously there was an effort to get an extra week where interest should have been paid. You have certain standards which under current practice enable IRS to defer some interest, but if there is a misrepresentation in fact and it is calculated intentionally dated May 30, have that start the time and they are not mailed until June 7, that constitutes fraud, intent to defraud, and the IRS official who directs that is guilty of mail fraud, an intent to deceive just like any other citizen. We are all governed by the same laws.

Mr. WATERS. As I indicated, we will get the national office to give us a view as to what took place, what the practice was, what the policy was on that and get back to you, your committee.

Senator SPECTER. Mr. Waters, I'd like to begin with the first contacts which I have had with you going back to April 5, when I visited the IRS Service Center in an effort to find what was going on and was distressed when it was not possible to make the visit contemplated on that day. For the record, without objection I will put in my letter dated April 5, 1985 to Commissioner Egger, a copy of which went to you and a copy of Commissioner Egger's response to me dated April 15 and I will also put into the record, without objection, my letter to Commissioner Egger dated June 14, 1985, where I asked him a series of questions and in default of answering these questions Senator Heinz and I have convened this hearing. We need not have taken the time this morning if these questions had been answered. In setting forth the problems of complainants I asked these questions.

First, how many taxpayers serviced by the IRS Philadelphia Service Center are awaiting refunds?

Second, how many telephone lines are being maintained by the IRS Philadelphia Service Center and how many calls can be handled on a daily basis?

Third, specifically what action do you intend to take to establish adequate telephone service to respond to taxpayer inquiries?

Fourth, when do you anticipate that all refunds will be made by the IRS Philadelphia Service Center?

Fifth, will you publicly state the taxpayers who were forced to refile will receive interest retroactive to April 15, at the 13-percent annual rate?

I asked Mr. Egger to respond to questions in that hand-delivered letter, hand delivered on June 14 and I received on June 21 a reply dated June 19 from Mr. Thomas J. Tiffany:

> Dear Senator Specter, this is to acknowledge receipt of your inquiry dated June 14, 1985 concerning the Philadelphia Service Center. Because of the nature of your inquiry, your letter has been referred to the appropriate associate chief counsel.

Commissioner Waters, although this is not your doing, I consider this insulting. The questions which I raised are not legal issues. They do not belong to the associate chief counsel. They are factual inquiries which taxpayers are entitled to have, for which the U.S. Senate or a Senator is entitled to have and the grave difficulty which I have seen coming out of Commissioner Egger's office, putting a burden, very heavy burden on you and your associates, making a commitment which Senator Heinz has accurately recited and then Senator Heinz asks a very important question. Senator Heinz gives three options, uninformed, ignorant, or lie. I can understand your not wanting to deal with them directly but it seems to me that the grave difficulty arises from the Commissioner who makes promises which on this record couldn't possibly be completed and then who ignores the direct response to very relevant questions which are not unknown. These have all been thoroughly publicized by very excellent media reports which have been drawn to these matters and what I am groping for is what to do.

Treasury Secretary Baker has responsibility for this issue and I am not going to write to commissioner Egger any more. From now on I'm going to take the matters up with Secretary Baker. Secretary Baker comes to the Appropriations Committee and asks for very substantial sums of money to run the Treasury Department and the real issue is we do control the purse strings on appropriations. Of course, we won't have any purse strings to control if you don't get that $60 billion collected, but there is a growing anger in the Senate and in the House concerning the responsibility of the IRS—we can understand if you can't cope with the computer problems ,but we cannot understand promises which are made by Commissioner Egger, and we cannot understand this kind of a response which sends it off to the IRS lawyers and who knows when it will be answered. As a result, U.S. Senators have to come to town, bring you in, ask you questions. You have given a lot of important statistical information today which give us the scope of the problem. We wish to be helpful. You need resources and you need computers. This is the Treasury of the United States. We collect somewhere in the neighborhood of $700 billion a year in revenues and you have $60 billion which is a giant share of that money and the public confidence has just gone to pieces and enforcement is going to be a nullity in this country for many, many years, believe me. We get a conviction on the May 30 letter on intent to deceive and mail fraud but you are going to have a terrible time getting convictions on taxpayers who don't send their returns in because no one is going to trust the IRS for having received it and what I would urge you to do in the strongest possible terms is to focus on the question which Senator Heinz has asked you as to how many of those returns are outstanding and figure out what you have to do to get it done now and figure out what you have to do to get those telephones answered and you tell us what you need and we will help you on it.

Senator Heinz brought in this morning a copy USA Today which I hadn't seen before he called it to my attention and the lead story is that this problem is going to continue into next year.

> U.S. taxpayers, some still without refunds because of IRS computer foulups, could face another barrage of problems next year, a Congressional investigation, suggests General Accounting Office.

Mr. WATERS. That was a GAO report that came out on the service center at Fresno?

Senator SPECTER. Yes.

Mr. WATERS. I haven't seen that report.

Senator SPECTER. That's what we are faced with.

Mr. WATERS. Senator, if I might, in that connection, there is a workforce that was assembled by the national office within the last month, month and a half, really for the purpose of looking at the problems that were experienced throughout the country. We are all going to be furnishing people to work on that task force as that work goes on in looking forward to next year to see if we can't pin down the cause of some of the problems we have, not only in Philadephia, but in other service centers and install procedures to preclude that from happening in 1986.

Senator SPECTER. Mr. Waters, you service a great area, you service, as you testified, Pennsylvania, Delaware, Maryland, District of Columbia, Virginia, and New Jersey, and the Philadephia IRS Center is the core of the problem. Really, Philadelphia is the laughingstock of the country on these issues which have appeared across this country again and again and it just is something which has to be corrected, is something which goes to the Federal Government, goes to our city. So what I would urge you to do is to figure out a plan. I would like you to follow up, if you would, and submit to this subcommittee your proposals for how you are going to deal with these outstanding returns, how you are going to deal with the telephone calls. How long would you think it would be necessary for you to take to let us have a response on a plan of action to solve the problem?

Mr. WATERS. The first portion of your question related to the remaining returns. We can have that for you next week, by the end of the week.

The telephone problem is going to take a little more than just our local resources. This is something that will have to be coordinated with the national office and I wouldn't dare give you a date at this point in time. I will get back to you, though, after I discussed it with national office.

Senator SPECTER. The next week is July 5. Is that realistic?

Mr. WATERS. Yes, on what we are going to do to get rid of the 254,000 timely filed returns we presently have on our hands. That I can give you next week.

Senator SPECTER. That's fine. We will expect a reply by July 5 then. And as to putting into operation a plan to service the people who call in, you are going to have to consult with your national office.

Can you give me by July 5 an answer as to when you will have an answer?

Mr. WATERS. Certainly.

Senator HEINZ. Mr. Chairman, I have one or two last questions. One of the human problems that worries me, Mr. Waters and Mr. Cloonan, is that there may be, and we don't know how many, but some certainly, a lot maybe, of taxpayers who did file on a timely basis and who are owed a refund but who are being told we have no record of ever having received your return. We have had several witnesses up here who have been told that.

Now, if you don't file on a timely basis it becomes very—or if they IRS doesn't think you filed on a timely basis, whether you have or not, it becomes extremely complicated to get the IRS to cooperate with you and solve your problem by mailing you a check. What can you tell this committee, what can we tell our constituents who did timely file but who were told well, we don't have any record of your tax return, that they are not going to get a very difficult time, they are not going to get in effect a runaround because of the description, because of the problem I have just described, how are we going to solve that problem?

Mr. WATERS. There is a program of duplicate filing where those taxpayers who have filed, waited 12 weeks, still didn't have any word, couldn't find their return in our system through teletax or direct calls to us, the instruction has gone out that they should file a duplicate return and one of the previous witnesses testified as to the envelope procedure whereby an envelope is furnished with a red tag marked "expedite". Those envelopes should be in the district offices. They were distributed directly from the national office. We will make another effort to insure that people get the proper word. If you call in, though, it is possible to get the same information, send the return to the center and they do have an expedite procedure to process those returns.

Senator HEINZ. Suppose someone, following IRS instructions, filed a duplicate return sometime after April 15. Will they be deemed to have filed on a timely basis and get interest?

Mr. WATERS. Yes. The Commissioner had made that policy decision at the time he made the original announcement in the middle of May that those returns would be considered timely filed and you would receive the interest.

Senator HEINZ. Now, we received testimony here earlier of some substantial inconvenience and in one or two cases some real hardship that people have experienced because they didn't get their checks on a timely basis. When you are dealing with $60 billion, I understand why $1,200 or $3,000 doesn't seem like a lot of money but if you are widowed and got mortgage payments to make, as one of the people I know was, in fact, having a problem with, it doesn't make any difference how much money the IRS has. The question is what have you got.

Therefore, really the timely solving of these problems is important. How much overtime has the region or the office put in since these problems came to light in March?

Mr. WATERS. I think this year our overtime at the Philadelphia Service Center was something like 100 percent more than it was last year.

Senator HEINZ. How much does that amount to? How much more money are we spending on overtime?

Mr. CLOONAN. In terms of staff hours rather than dollars in this year from October 1 through June 8 we have spent 216,400 hours compared to last year during the same period when we used 92,300 hours. So I think that you can see that there has been a substantial increase of 124,000 hours over the last year.

Mr. WATERS. The dollar figure I have here for June 8 for overtime pay at the service center was 2,585,000. I don't have the figure for last year, but I think that would be approximately one-half this expenditure.

Senator HEINZ. One last question. We have talked about, received testimony today about some problems we had with the way people receiving Social Security benefits and have tax-exempt income are necessarily getting the wrong result from the service center because of the nature of the IRS form or the programming instructions. Who do we in Congress hold accountable for that problem?

Mr. WATERS. You hold us all accountable for the problem.

Senator HEINZ. Somebody makes decisions. I can't hold Mr. Cloonan responsible for that. He's not in charge of that. Maybe Mr. Endrikat, he's in charge of data processing, maybe it's Mr. Egger again, but somebody has to be held accountable.

Mr. WATERS. The instructions on processing tax returns come from the Associate Commissioner, data processing, and assistant commissioners reporting to him. However these problems you raise were raised earlier this week. The National Office has a group working on that, but at this point none of us know specifically what happened and why. We realize first of all, there was no line on the form for the tax exempt income and that was a deliberate decision by our Tax Forms Committee because of the infrequency with which people in this category had other income that was tax exempt. At least that was our rationale at the time. As it turns out, that was a mistake.

Senator HEINZ. Will you see to it we get a report explaining what happened and how we can take steps to assure that that kind of problem doesn't reoccur in the future?

I have got one last question if the chairman will forbear, and that's this. Is it true that the IRS had sometime prior to June 1 of this year a policy which was that they would process those returns at the largest refund due first so that the interest payments that they would have to make would be as small as possible? Is that accurate?

Mr. WATERS. Yes.

Senator HEINZ. Do you think that that's a defensible policy in view of the testimony you have heard today?

Mr. WATERS. That was the Commissioner's policy.

Senator HEINZ. Well, fine.

Mr. WATERS. I am not authorized to comment on his policies.

Senator HEINZ. What about as a private citizen?

Mr. WATERS. I can't operate as a private citizen as long as I occupy this position. I work for him.

Senator HEINZ. If the Commissioner had asked you for your advice, what would you have told him?

Mr. WATERS. I would have given him my advice. I'm a regional commissioner in this organization, a career employee, and you are asking me to comment on a decision made by the Commissioner of Internal Revenue.

Senator HEINZ. Mr. Waters, I am not a member of the press. I am a member of a coequal branch of government. I am asking you for your judgment as a professional.

Mr. WATERS. I am not authorized to given judgment on the Commissioner's decisions.

Senator HEINZ. So you——

Mr. WATERS. Senator——

Senator SPECTER. Your opinion is you have no opinion on that?

Mr. WATERS. I didn't say that.

Senator SPECTER. That you will express to Congress?

Mr. WATERS. No, not until I am authorized to do so.

Senator HEINZ. Can you seek authorization from the Commissioner?

Mr. WATERS. Yes.

Senator SPECTER. Will you do so at my specific request?

Mr. WATERS. Sure.

Senator HEINZ. I thank you very much. Please let me know when you have that. Let me know what his answer is.

Mr. WATERS. Sure. Can I comment on one other thing that came up this morning that we didn't get to in the questioning and it had to do with the fact that the interest paid on refunds—that we now have the practice of stopping the interest 10 days before the date of the check. Some of the previous witnesses alluded to it, but we never got around to it. I'd just like to clarify that. That was a decision made on the recommendation of the planning council at the National Office that the period would be set at 10 days prior to the date the check was issued and that was done to parallel the situation where we sent out bills. We send out the first notice to a taxpayer and he's provided or she is provided 10 days in which to pay but the interest stops with the date of the notice. In prior years, as opposed to being 10 days on our refunds it was 9. So the change was from 9 days to 10 days this year. The rationale we have been provided by National Office was that this was done to equate the practice with that followed on balance due notices——

Senator HEINZ. That's in addition to the 45 days that the IRS has, between April 15 and June 1?

Mr. WATERS. No, what I was trying to deal with, Senator, was if the check, for example, is issued from the disbursing office on the 25th of the month, the interest would have stopped on the 15th of the month, 10 days before the date of the check. In previous years that was 9 days so that——

Senator HEINZ. I understand.

Mr. WATERS. But the 45 days that you speak of, the interest would start running with April 15.

Senator HEINZ. I understand but it doesn't run as of the date on which the person filed sent you money.

Mr. WATERS. No.

Senator SPECTER. You have had the use of the money for the entire previous year.

Mr. WATERS. Yes.

Senator SPECTER. People are being overwithheld and to say that that's somehow equivalent to 2 percent 10 net 30 is kind of beyond me. Those are standard payment terms if you are in business. You know you get a 2-percent discount if you pay within 10 days and the net is due in 30 days. In this case the IRS had the money for months. So I hear you but it doesn't make a lot of sense to me but I thank you for clarifying the record. I appreciate that.

Mr. WATERS. All right.

Senator SPECTER. Commissioner Waters, what you were saying is that where a notice is sent out by IRS for deliquent payment, that you do not compute the interest for 10 days from when?

Mr. WATERS. The interest that might be due on that stops with the date of the notice and the individual involved has 10 days in which to pay.

Senator SPECTER. From what date?

Mr. WATERS. From the date of the notice.

Senator SPECTER. But there is mailing time which the way our postal service runs may even be 10 days?

Mr. WATERS. Yes.

Senator SPECTER. Or more, 15 months in the case that Senator Heinz quoted.

The difference is, Commissioner Waters, there are a couple of differences. One is that the taxpayer doesn't know how much you say he owes you until he gets the notice so he's entitled to an opportunity to make a legal tender. The difference is that IRS does know how much the refund is due and I would think that that would have a more basic requirement.

I'm going to consider legislation which will take away from you the regulatory authority, in fact I will introduce such legislation that takes away the IRS regulatory authority to take the 30-day grace period or 10-day grace period. It seems to me that just isn't fair, but what I would recommend that you do, and I understand your position on being a career employee, and this is for IRS generally, it seems to me that when you have a context where the taxpayers are having these problems that you don't slice the apple as you can by regulation or in a restricted way, that the Service ought to extend itself on these matters and when it comes to the issue of big checks versus little checks, even though it is in the Government's interest to refund the bigger ones first on the interest amount, that there ought not to be that policy, that there ought to be a policy of equality because it's highly likely that the person who has the smallest refund is the person most in need or at least it ought to be done first in, first out, alphabetical, some random selection as opposed to what slices the apple best for the Government.

I think it is very important that the Government be preeminenantly fair to its citizens. Our whole series of laws are based on that, the whole concept of due process of law and the way Government works in the prosecution of a case, preeminent fairness on how you question people, preeminent fairness on warnings. The Government is the institutional giant. The citizen is the little person and that's what we have to be zealous to guard.

Thank you very much. Thank you, Senator Heinz.

Mr. WATERS. Thank you.

[Whereupon the subcommittee was adjourned, subject to the call of the Chair.]

IRS PHILADELPHIA SERVICE CENTER PROBLEMS

TUESDAY, NOVEMBER 19, 1985

U.S. Senate,
Committee on the Judiciary,
Subcommittee on Administrative Practice and Procedure,
Washington, DC.

The subcommittee met at 10:30 a.m., in room 562, Dirksen Senate Office Building, Hon. Charles E. Grassley presiding.

Also present: Senators Specter and Heinz.

OPENING STATEMENT OF HON. CHARLES E. GRASSLEY, A U.S. SENATOR FROM THE STATE OF IOWA

Senator Grassley. I would call this hearing of the Senate Subcommittee on Administrative Practice and Procedure of the Senate Judiciary Committee to order.

We are involved in a hearing that has been of much interest throughout the United States as citizens have had problems with the Internal Revenue Service's processing of income tax forms. There has been a lot of interest in this issue.

This subcommittee is interested from the standpoint of its general oversight responsibilities. We are proceeding to look at some of these problems. I appreciate the cooperation of a very interested subcommittee member, Senator Specter from Pennsylvania, who has long had an interest in this and has done a lot of work in this area on his own. And, Senator Specter, I would defer to you for an opening statement.

OPENING STATEMENT OF HON. ARLEN SPECTER, A U.S. SENATOR FROM THE STATE OF PENNSYLVANIA

Senator Specter. Thank you very much, Mr. Chairman.

I very much appreciate the chairman's leadership on this and so many other fields in convening this hearing on the situation of the Internal Revenue Service in terms of the problems which have been evident in the Philadelphia office which covers many States and the District of Columbia. Senator Heinz and I have been deeply involved in this problem. Our distinguished colleague will be the lead witness.

We were made aware of this as a result of receiving numerous complaints from citizens in Pennsylvania and elsewhere about the problems with the Internal Revenue Service. Back in early April, I made a visit to the Internal Revenue Regional Office in Philadelphia and, on that occasion, found a computer down, found illustrations of a number of problems presented there, and that was followed up with a series of hearings which Senator John Heinz and I held in Philadelphia on June 28, and again in Pittsburgh on July 22, and then additional hearings were held in Harrisburg, PA, on October 14, and again in Scranton, PA, on October 14. What we have found have been many, many complaints by taxpayers who had not gotten refunds after they had filed for refunds in a timely fashion, and were told to file for a second time for refunds, which they did, told to file a return a third time, which they did, and no refunds were forthcoming. And when calls were made to the Philadelphia office, constantly answered by a busy signal, the evidence showed that there were some 53 telephone lines to accommodate some 40,000 to 50,000 calls a day.

Other complaints involved levies, attachments by Internal Revenue Service before the hearing process was complete so there was really a total breakdown of the Internal Revenue Service procedure as evidenced by many, many witnesses and by many, many letters and many complaints. The concern exists not only in terms of what has happened in the past, but what will be done in the future because it is not just yesterday's problem. It may well be tomorrow's problem as well in terms of what can be done. Some of the questions which I want to focus on today with the Internal Revenue Service will be the level of awareness and recognition of problems which exist here.

Mr. Egger testified before the Ways and Means Committee, as I understand it, and we will get into this, that the problem was sporadic, minimal, and isolated. There is the issue regarding the adequacy of the computers for next year. Also evidence that there were indications that the Sperry machines were inadequate and, notwithstanding those indications, IRS went ahead with the computer service, sort of hoping against hope that it would all work out.

The backbone of the financing of the Federal Government is a system of voluntary collections. If taxpayers do not pay on a voluntary basis, there is no way under our system that we can collect $800 billion or $900 billion or $1 trillion a year necessary to run this Government. There is also the sense among taxpayers that the Internal Revenue Service does not know what is going on, it is a breakdown of the system. And we are hardly likely to have people pay the taxes which they have to pay to run this Government. Beyond the issue of having voluntary compliance with the necessity of decent treatment of taxpayers in this country, when they do not receive a refund and make a timely inquiry, they are entitled to a courteous and timely resonse. That is a fundamental thing which we, as government employees, as the center of the U.S. Government, or somebody working for the Internal Revenue Service, have an obligation to respond in a timely and courteous way on this issue. Those are some of the concerns which I have, and I know those are concerns which will be expressed in eloquent terms by our distinguished witness, my distinguished colleague, Senator Heinz.

Thank you, Mr. Chairman, for convening these hearings.

Senator GRASSLEY. Thank you.

Before we go to Senator Heinz, I want to mention that the other members of the committee will be in and out this morning. I would also mention to anybody who is on the witness list that you might expect questions in writing. We would appreciate a response within 15 days, and we will keep the record open that long for the processing of corrections or additions or remarks.

It is my pleasure now to call on Senator John Heinz from Pennsylvania. He is a colleague of mine on the Senate Finance Committee, and as a member of that committee, very deeply involved in the work of oversight of the Internal Revenue Service.

So, Senator Heinz, I would call you and ask you to proceed. As is the usual custom, your entire statement will be printed in the record, and I will ask for a summary.

STATEMENT OF HON. JOHN HEINZ, A U.S. SENATOR FROM THE STATE OF PENNSYLVANIA

Senator Heinz. Mr. Chairman, first let me thank you for calling this hearing and for inviting me to testify. I am honored to be here with both you and my colleague from Pennsylvania, Senator Specter.

This is a very timely hearing. It is timely because in just 42 days the Internal Revenue season starts all over again, and if we go through the same wringer of an insensitive system that the taxpayers were subject to in 1985, then I fear that we will once again further undermine the credibility of the taxpayer in our system, and we will undermine the ability of the IRS to gain taxpayer compliance. And neither of these, in my judgment, is something that we can withstand if we are going to be fair to the taxpayers.

When I mentioned that we are 42 days, a week from January 1, and a flood of early filings that usually takes place, I must say that I remain deeply concerned over the continued failures of the Internal Revenue Service, at least up to today, as we face what is likely to be a new and record breaking filing season.

As Senator Specter mentioned, he and I as Senators from Pennsylvania, and myself as a member of the Senate Finance Committee, have found it more than a little frustrating, Mr. Chairman, to see our constituents endure the worst tax filing system in American history last year. And I must tell you that my staff was swamped in the State. Our phone lines were clogged and we received and investigated and, I am sorry to say, documented one horror story after horror story as they poured into my office, Senator Specter's office, and the offices of colleagues in the Pennsylvania congressional delegation. It almost reminds me of the politician who was in a campaign and became very upset, and he said, "you know, my opponents, they are telling lies about me, and the worst part of it is that they are beginning to prove them."

With respect to the situation of my constituents in Pennsylvania and in sum and in short, Mr. Chairman, thousands upon thousands of honest taxpayers in our region, which includes the District of Columbia, Maryland, Delaware, and Pennsylvania, were victimized by the procedure of the Philadelphia Service Center. And subsequently, as Senator Specter indicated, in his opening remarks, he and I held an exhaustive set of hearings throughout the Commonwealth to find and develop a hearing record that would sort of highlight not only the problem, but the changes that the IRS needs to make in practice and procedure.

Mr. Chairman, what we found in terms of problems, I think, can be summed up as this: What we found was a disturbing kind of future shock. The Internal Revenue Service Centers had appeared to become a high technology sweat shop where the employees were mandated to reach unobtainable performance levels with a computer that in some weeks were not operative for half a work day.

The agents responded with a dramatic cut in the staff that processes returns. Quotas and computers were hailed as an answer to that but, unfortunately, the computer system was too small, and the quotas too large. Tremendous disparities in the productivity of various service centers indicated a lack of coordination as well by the National Office. Management, or the lack thereof, appeared to be at the heart of the disaster we experienced earlier this year. Both management of the service center and the National Offices. I suppose it might be helpful if I very briefly recapped—I will not call them the highlights, I would call them the lowlights of last year's problems, this year's problems, at the IRS Service Center in Philadelphia.

In January, we learned that there were some several thousand corporate taxpayers who had been mistakenly threatened by the IRS because the Philadelphia Service Center had lost track of $300 million in tax payments. Those were taxes withheld from paychecks in 1984 and already in the hands of the Internal Revenue Service. By April 15, that day we all love to hate, reports of massive backlogs in the processing of returns sent by individual taxpayers began to circulate. My constituents who filed earlier, several who filed for refunds in January, 3½ months before the deadline, began to contact me. Some were unable to get answers from the Internal Revenue Service, and others received erroneous refunds or assessments. And at that point, I requested that the GAO conduct a formal audit of the service center to determine the scope and future implications of the IRA failures. And I in effect received the GAO findings in the next few weeks, and I am more than willing to share them with members and you, Mr. Chairman, of this committee.

By April 30, we knew that the Internal Revenue Service workers in Philadelphia were logging enormous amounts of overtime, and reports of workers dumping tax returns and taxpayer forms began to circulate as IRS employees sought to keep up with quota requirements.

With my office overburdened by IRS foulups and the stories of IRS incompetence growing both in numbers and magnitude, as I mentioned, Senator Specter and I conducted a series of hearings in and around Pennsylvania regarding computer performance problems at the Service Center in Philadelphia. And I must tell you that, as we sat there listening to taxpayers detail one frightening case after another, it was really disheartening as a picture of IRS impotence and compotence, and bureaucratic arrogance became clearer and clearer.

From the testimony we took at our hearings, the 1985 tax season was a disaster for taxpayers. What first appeared to be an illness of the IRS was in fact an extremely serious disease that affected nearly every aspect of the agency's operations and threatened to destroy it.

In May, the IRS announced a policy to paying refunds to the taxpayers who filed the largest refunds. Now, Mr. Chairman, that may sound great if you are a rich taxpayer with a large refund, or if you are the Federal Government and you want to save money, but if you are someone who needs that $300 or $600 because it represents your ability to take a vacation or the ability to actually afford a honeymoon or the ability to pay the mortgage payment on your house, let me tell you it is not a fair policy. And while it certainly saved the U.S. Government a lot of money, no doubt in interest penalties, I think that policy is fundamentally unfair to individuals who filed earlier and were due small refunds.

In early June, it was alleged that the Internal Revenue Service had intentionally backdated refund checks to escape the payment of interest penalties. I do want to assure this committee that a through investigation by the IRS under the supervision of the U.S. Attorney for the Eastern District of Pennsylvania, Ed Dennis, showed that there was no substance at all to the charge of criminal wrongdoing. There may have been a 1-day delay in processing about a third of the refund checks due out May 31, but those delayed checks did go out before the timetable. By July, the numerous taxpayers were told to refile their refunds in an effort by the IRS to speed up processing. Needless to say, many of my constituents were angered that they were being asked to refile so many months after they had first filed their returns.

During the entire tax filing season and months thereafter, taxpayer after taxpayer complained about their treatment at the hands of the IRS. Overloaded IRS employees were discourteous, I am sorry to say, or unable to answer basic questions. At one point, the volume of calls from taxpayers seeking basic information in the Philadelphia area threatened to knock out the entire telephone service for most of downtown Philadelphia. It was substantiated that indeed the returns were discarded in both office and restroom trash cans.

Correspondence grew as much as four times what was normally established as a normal level. The number of duplicate returns filed in Philadelphia accounted for more than half of all duplicate returns filed nationwide and, of course, the cost of the U.S. Treasury paying interest on refund checks skyrocketed.

Now, the next witness is, of course, the Commissioner, Commissioner Roscoe Egger, and it is fair to say that Commissioner Egger and I have had disagreements over the pace and scope of his agency to clean up the mess of the IRS Philadelphia Service Center. But I do want to say for the record that Commissioner Egger has made substantial progress in bringing some order and sanity to the Philadelphia Service Center, and I want to commend him for those efforts because I credit the Commissioner for making the effort to replace the management at the Philadelphia Service Center and replacing them with people to do the job. And its vitally important that we confront the continuing resolution for funds for the Treasury Department that he, Commissioner Egger and Secretary Baker, have asked the Congress for the funds necessary to supplement the existing computer facilities. And it is my hope, Mr. Chairman, that Members of the Senate will indeed help the Internal Revenue Service by giving them the money or the funds that they really need to do the job.

Now, finally, while the IRS and the Commissioner have taken some jibes in the last few days for their plans to conduct a sensitivity session for IRS employees, it is my view that training in this area will do much to restore the confidence of taxpayers. It is in fact an excellent idea, given the large number of complaints that I have heard from taxpayers about people they have talked to who seemed to be arrogant or insensitive at the Internal Revenue Service.

I am hopeful also that the report we will shortly receive from the GAO will be of assistance to Commissioner Egger and all of us in our mutual efforts to achieve reforms of the Internal Revenue Service. And once he has had the chance to review that report, I intend to request a hearing in the Senate Finance Committee to get his views on what further steps can be taken.

Let me just conclude, Mr. Chairman, by saying it is absolutely imperative that Congress keep its eye on the big picture, and that is taxpayer compliance. Voluntary compliance with our tax laws has fallen to an all time low of an estimated 87 percent. 87 percent may sound high, but what it really means is that one out of every seven taxpayers in this country is not complying, and that 87 percent is down from 92 percent less than 5 years ago. And as a result, and I know Mr. Chairman, you have been in the forefront of this as chairman of the IRS Oversight Committee in the last two Congresses, that an estimated $90 billion is owed Uncle Sam by people who cheat on their taxes or do not pay their taxes at all. Indeed, Mr. Chairman, you brought that to light, as I recollect, about 3 or 4 years ago in your landmark hearings on this very issue. And in the end, what that means is that honest taxpayers have to bear a far greater burden every time someone else fails to pay their fair share.

So the sooner we clean up the mess that we have seen at the Internal Revenue Service, and I beleive it is not unique totally to Pennsylvania, the sooner that this agency will be able to direct its efforts effectively at going after the tax cheats.

Mr. Chairman, I think you sincerely for the opportunity to testify at your hearings, and I once again commend you for holding hearings on this important subject.

Senator **Grassley**. Thank you.

I have one question that would refer to the extent to which this problem is unique to Philadelphia. From your standpoint of investigating this in great depth as a member of the Finance Committee, if you could tell us how bad this situation is in Philadelphia compared to elsewhere in the country?

Senator **Heinz**. Mr. Chairman, the best measure—well, of course, the problems that the Internal Revenue Service had in processing tax returns on a timely basis was not simply contained and restrained to Philadelphia. Those problems existed at everyone of the major Regional Centers throughout the United States. And I would be happy to supply for the record the documentation of those backlogs and the slow processing of those returns.

But, as I think I pointed out in my statement, a substantial number of the backlogged returns were in fact at the Philadelphia Office. I do not actually have the numbers in terms of thousands or tens of thousands, but roughly half of those returns, as I recollect, were in fact backlogged in Philadelphia as some measure of how we were in the eye of the hurricane.

Senator GRASSLEY. Senator Specter.

Senator SPECTER. Thank you very much, Mr. Chairman.

With respect to the concern that the Senate and Congress have about providing the necessary resources and wherewithal for Internal Revenue to do the job, there are problems about funding for Internal Revenue Service, and I known you share the commitment which I have to see to it that the Internal Revenue Service is adequately funded. In fact, a single dollar of support for the Internal Revenue Service may yield, depending upon the category, up to $20 in return for taxes. But I think it would be worthwhile to get your own view on that subject at this point.

Senator HEINZ. Senator Specter, I think you are absolutely right about the return on the investment that we make in terms of IRS compliance, the money spent for examination purposes and for other activities to improve taxpayer compliance will make returns of anywhere from $10 for every dollar spent to $21 for every dollar spent, but the expert withness on that is coming up next, Commissioner Egger.

I know that there are many other activities of the Government, such as Customs compliance where a similar return for investment, $9 of profit for every $1 spent, is also something that we will obtain for the taxpayers, so I support any effort to get the Internal Revenue Service any funds necessary to do the job. I do not think there are any alternatives unless we want to be complicit in undermining the credibility of the tax system. And I think it has taken enough body blows already. I do not think it could stand another year of what it has been through this year.

I would like to correct something that I said. I may have given the impression that Philadelphia had half of the backlog of late processed tax returns. I cannot substantiate that, but what I can indicate is that the number of duplicate returns filed in Philadelphia, and those returns that typically are requested were requested last year by the IRS because the system is so fouled up. That number accounted for more than half of all the duplicate returns filed nationwide, and I think it is a very good indicator of the extent and depth of the problem that we experienced in the Philadelphia Service Center.

Senator SPECTER. Thank you very much.

Senator GRASSLEY. Thank you, Senator Heinz.

I would now like to call Commissioner Roscoe Egger. I have had and opportunity to have Commissioner Roscoe Egger up here both before the Internal Revenue Service oversight Subcommittee and this subcommittee, and I welcome him back again as a person whom I have been able to have a great deal of dialogue with and work out problems in the past.

Commissioner, before you testify, and I think I will be able to stay here for all of your testimony, but just in case I would have to leave and you have not addressed some of these issues, I would like to tell you some of my concerns in bringing together this hearing.

In particular, the subcommittee is concerned with as yet unprocessed returns, overdue refund checks, and the installation and functioning of the new IRS Computer Center.

We would also like to have some judgment on your part through the testimony regarding the selection, testing and purchase process for the computer system. And also we would like to discuss any changes in management policy which have been instituted in response to the problems for the 1985 filing system in order to ensure that those problems would not reoccur during the 1986 filing season.

What I have just now stated in not intended to restrict anything you have to say this morning in your testimony.

I would like to now go to Commissioner Egger.

STATEMENT OF HON. ROSCOE L. EGGER, JR., COMMISSIONER, INTERNAL REVENUE SERVICE, ACCOMPANIED BY JAMES I. OWENS, DEPUTY COMMISSIONER OF INTERNAL REVENUE; STANLEY GOLDBERG, ASSISTANT COMMISSIONER FOR RETURNS AND INFORMATION PROCESSING; AND THOMAS LAYCOCK, ASSISTANT COMMISSIONER FOR COMPUTER SERVICES

Commissioner Egger. Thank you, Mr. Chairman.

First, I would like to introduce the people here with me. On my right is James Owens, who is deputy commissioner of Internal Revenue. And on his right is Stanley Goldberg, who is assistant commissioner for Returns and Information Processing. And on my left is Thomas Laycock, who is assistant commissioner for computer services.

I asked these people to join me because they may be able to answer your questions more completely than I can.

Senator Grassley. Let me assure you that we appreciate your bringing along whatever staff is necessary to help us bring out the issues that we want to bring out.

Commissioner Egger. I am here in response to your request to provide an overview of the numerous efforts being made by the Internal Revenue Service to prepare for the 1986 filing season. Before focusing on the details of our programs for 1986, I will put them in perspective by briefly reviewing the historical development of the current data processing system and our experience during the 1985 filing season. I will conclude with a discussion of our efforts to improve quality throughout the Service.

With me today are a number of Service officials familiar with the various topics to be covered. All of us will be available to answer questions at the conclusion of my testimony.

At the outset, I would like to emphasize that an enormous amount of effort has gone into our preparations for the rapidly approaching 1986 filing season. IRS employees at all levels have been working diligently to see that this season runs more smoothly than last year's. At every level of the organization there has been a renewed commitment to quality in the performance of our jobs and the overall mission of the Service. As Commissioner, I am extremely proud of the dedication and effort that our employees have demonstrated. In the face of frequently misleading and hostile publicity, they have continued to dilingetly perform the essential tasks of administering the Nation's tax law.

Because the current tax processing system is so complex and the workload is so large, performance cannot be guaranteed in advance. Consequently, I am not in a position today to guarantee that some problems will not appear during the 1986 filing season. However, because of the series of technological, systemic, and operational modifications that we have already put in place, combined with our extensive planning and training initiatives, we are better prepared to deal with any problems that may arise next year.

In order to understand the current status of our system, some historical perspective on its evolution may be helpful.

In the late 1960's, the Service recognized the need to review the existing tax administration system and to destroy a long-term plan to prepare for the anticipated growth in volume and complexity of returns. At that time, an effort was begun to redesign and modernize the Service's automated date processing systems. Our Tax Administration System, TAS, proposal included the following key components:

Decentralize taxpayer accounts to the 10 IRS Service Centers; convert the National Computer Center [NCC] to a national account directory and control point for intercenter activity; and install a data communications subsystem to connect IRS offices with terminals to their parent center.

During the period of 1974-77, approvals for this new system were received from the Department of the Treasury, from the Office of Management and Budget, from the General Services Administration, and in an initial General Accounting Office report. However, after years of planning, in 1978 Congress terminated our proposed Tax Administration System. The reason for this action was increased concern over a number of issues including privacy, first amendment rights, fear of overcomputerization, dehumanization of government, security and cost.

Notwithstanding the concerns expressed by the Congress and the Administration, there was a continuing recognition of the basic need to replace the aging processing equipment. By 1979, the IRS was working with a system that had been designed nearly 20 years earlier. The IRS felt that it had no alternative but to move quickly to meet the increasing volumes of work that resulted from both legislative changes and the increase in the number of returns.

During this period, IRS understood that changing from an existing system to a new system necessarily involved some risks. As a result, we designed the new system as carefully as possible, critiqued the system ourselves, and then went outside the Service to a number of experts, including the National Research Council and the Commissioner's Special ADP Study Group. All the studies and all the experts concluded that the replacement program was sound and necessary.

In addition to necessary changes in equipment, the work of the IRS has changed over the years. For example, volumes of tax returns and related documents have continued to escalate annually, from 160 million in fiscal year 1980 to 173 million in fiscal year 1984—an increase of about 8 percent. In view of severe budget constraints, it became imperative to explore all reasonable approaches to accomplish the progressively higher workload with fewer resources. Consistent with these demands, the IRS has processed this work with staffing in returns processing and accounting operations that was reduced by more than 34 percent—from just over 25,000 employees in fiscal year 1980 to just over 16,500 employees in fiscal year 1984.

In addition to the processing of an increased number of documents, the Service has also undertaken completely new tasks such as (1) the debt collection and information sharing initiatives of recent years; (2) the computer matching of information documents and tax returns; and (3) acclerated cash management initiatives.

It has also been necessary for the Service to adapt simultaneously to major changes in the Internal Revenue Code. Major tax legislation has been enacted in 19 of the last 22 years. And the pace and scope of change seem to be increasing. This volume of legislation has greatly increased the complexity of tax administration and confusion for both taxpayers and the Service. The last 5 tax bills—the Economic Recovery Tax Act, the Tax Equity and Fiscal Responsibility Tax Act, the Interest and Dividend Tax Compliance Act, the Social Security Amendments of 1983, and the Deficit Reduction Tax Act—contained more than 1,900 pages of changes in the Tax Code and required more than 2,700 implementing actions by the Service.

In order to implement new tax laws, the Service must make the required changes in our internal procedures, train our employees to deal with the new law, and inform the public of the changes. This is a complicated and massive job under any circumstances—doing it 5 times in the last 4 years in the context of an increasing workload and tightened budgets only makes the problem worse.

As with the implementation of any major computer conversion, problems will occur. We expected these problems. However, we experienced somewhat more problems than we anticipated. But there simply was no alternative to the replacement of the aging equipment. Importantly, these changes occurred at a time of reduced staffing, annual rewrites of the tax laws, and the addition of new tasks to the job of tax administration.

During the 1985 season, the Service completed implementation of several new systems, including the Service Center Replacement System [SCRS], the Distributed Input System [DIS], the Error Resolution System [ERS], and the Revenue Accounting and Control System [RACS]. Despite the startup problems, the Service did process an increased total volume of returns and refunds in 1985. In the early part of the filing season, the number of 1985 returns processed remained behind 1984 levels; however, backlogs were dramatically reduced after that time. During the 7 weeks from March 25 to May 10, 1985, a record 45 million returns were processed. Through October of 1985, a record 100.4 million returns were processed, and 71.7 million refunds were issued.

Recognizing that taxpayer confidence in the Tax Administration System is critical to voluntary compliance, the Service has already dedicated substantial efforts to prepare for the 1986 filing season.

The systemic hardware, software, and operational problems of last year's filing season have been identified and addressed. For

1986, the hardware is more reliable, the programs have been through intense debugging procedures, and our employees are more confident and proficient with respect to the operation of the system.

In order to assure adequate computer capacity, we have accelerated the planned acquisition of computer hardware. The number of central processing units for the mainframe systems in Service Centers will be increased by an overall 40 percent. Additional peripheral equipment will also be added. Installation and testing of the equipment and training of operators will be completed prior to the 1986 filing season.

One of the most significant startup problems was the difficulty that the Service Centers experienced in being able to run the computer programs within the allotted time periods. Over the past months, our programmers have been able to streamline the new programs so as to drastically reduce the amount of time they consume. Since April of last year, the run time for the critical weekend processing has been reduced by 68 percent.

During the filing season, we discovered that our workflow control procedures were not adequate to the task. To address this control problem, task forces were established in June of 1985 in each Service Center to update the files so that each center could begin the 1986 filing season with enhanced control programs and operations in place. We expect all our Service Centers to have current control files in place by the beginning of the 1986 filing season.

One obvious example of our renewed commitment to quality involves the use of more thorough systems acceptability tests, SAT, than ever before. The SAT program takes place in a number of service centers and at the National Computer Center [NCC] at Martinsburg, WV. The SAT involves testing and trial runs of next year's programs. This year's SAT Program is the most thorough and comprehensive in the history of the service.

The FTD system involves 5 million taxpayers making over 60 million payments, totaling over $600 billion at 14,000 authorized financial institutions. While FTD processing is not directly related to the pipeline processing of individual income tax returns, the FTD system has caused a large number of problems for business. A project was begun in May 1985 to examine all aspects of the Federal tax deposit system with the objective of implementing systemic and procedural modifications necessary to improve the current operation. In this effort, the Service sought the guidance of virtually every major practitioner group. As a result, a number of recommendations were made for this system in the area of forms revision, quality control, notice clarity, additional systemic changes, and taxpayer education.

Forms revision improvements include a revised coupon book and instructions; and a planned switch from third-class to first-class mail. Quality control improvements include key verification of critical data, for example, deposit dates, and employee identification numbers on hand prepared forms; and step-by-step procedures for reviewing OCR output. Notice clarity improvements include listing of deposits on FTD discrepancy notices sent to taxpayers for easy reconciliation; and letters to taxpayers regarding incorrectly prepared coupons.

Systemic changes include suspending assessment of the FTD penalty when liability data is omitted on a tax return. Instead, we will correspond with the taxpayer to secure data prior to assessment. Also we will issue letters to taxpayers asking them to verify deposit data in situations where this is the first time a deposit has been made for a particular type of tax. Improved taxpayer education measures include working with professional organizations to distribute important information such as changes to the form; preparing information notices for use in return mailouts; issuing videoclips or news releases; and conducting outreach seminars for those interested in proper procedures for using FTD coupons.

Another aspect of the FTD problem flows from the Service's automated offset procedure. Under this program, liabilities are automatically offset when credit balances are established. Although the concept is sound from a tax administration perspective, the unacceptable levels of misapplied payments have caused widespread problems. Consequently, a partial suspension of the offset procedures has been effected.

Our training procecures have been enhanced on several levels. Through "FOCUS 86: Managing In an Automated Environment," we are providing our managers with increased training and with an overview of how their function relates to the entire IRS system.

We have also implemented improved and more specific computer training for operators, programmers, and managers. The new curriculum combines on-the-job training with formal courses for terminal operators and first-line managers in service centers and district offices.

Another effort we are undertaking to improve our 1986 filing season performance is an increase in the number of national office and inter-service center visits to exchange information on preparedness status.

The service centers have established a number of programs to increase the accuracy of the data in the system. On the front end, we are expanding the use of key verification. Similarly, notices to taxpayers are receiving an unprecedented level of review before the notices are mailed.

The problems that have been mentioned resulted in unacceptably high levels of work inventories. These inventories include correspondence from taxpayers and internal error resolution inventories. We have diverted a substantial amount of resources from other functions to bring down these inventories.

As a further precaution, we have asked each service center to identify specific types of work that can be transferred to a district office or another service center to relieve the burden in the event that a high inventory condition arises in any future filing season.

We recognize that the inability to reach taxpayer service through the toll-free telephone system has caused great frustration for taxpayers. For next year, we plan substantial increases in the level of service. In addition, we are conducting increased taxpayer service training.

We have conducted joint IRS/vendor audit reviews of computer operations in each service center, in the National Computer Center and in the National Office. As a result of these reviews, an IRS

Task Force made a number of recommendations regarding staffing, training, hardware, software, documentation and other issues.

A tax system like ours depends on taxpayer cooperation and confidence in the IRS. In order to maintain public confidence, we know that the Service must process tax returns, issue refunds, maintain taxpayer account, and answer millions of taxpayers' calls quickly and efficiently.

As I have described, the Service has undertaken a series of specific steps to address the technical problems in the system. However, in order to assure quality in our work, emphasis on techology alone is not the solution. The Service is now looking at the question of whether during past years of budgetary restraint there was too much emphasis and attention devoted purely to production, and not enough focus on quality and responsiveness. While the Service has long maintained quality standards, we believe that this year it is essential for us to renew our commitment to quality performance and public service. Therefore, in addition to the steps taken to improve technological functions, we have also placed increased emphasis on quality.

In addition to personally visiting our service centers to speak to managers and employees on quality, I have sent memoranda to all IRS employees and managers requesting their personal and immediate attention to continuing high quality standards. I have directed IRS managers to meet with their employees to stress our overall mission, to reinforce quality standards and to emphasize that the Service in our name must continue to have real meaning for all of us, especially the public. Both the July 1985 executive conference and the October 1985 joint converence for IRS managers were structured to increase management emphasis on quality. As part of this effort, I have emphasized quality in several videotape introductions to training materials.

Perhaps the most dramatic step we have taken to emphasize quality is to revise the ways we evaluated both employees and managers. In the future, quality will be one of the standards required of both categories: for employees, incentive pay arrangements in the service centers will include quality as an explicit consideration, while for managers at all levels quality will be a performance requirement for any bonuses or merit increases.

The Service has recognized the need to enhance the quality assurance program, and has greatly expanded resources devoted to the program, and has greatly expanded resources devoted to the program. In addition, production rates for fiscal year 1986 will not be subject to automatic increases, but will be based on the facts and circumstances of each service center. These proposed standards will be subjected to review and discussion by national office, regional, and service center officials in order to reach agreement on them before work plans and schedules are approved and implemented.

The processing of more than 1 billion returns and related information documents must be a production oriented effort. But quality is not the antithesis of quantity. Rather, the resources that are used to do it over again can be better directed to doing it right the first time.

In summary, we have dedicated substantial time and effort to an analysis of the 1985 filing season, and we have undertaken a wide range of steps to address to sources of the problems encountered last year. In addition to concentrating on technological difficulties, we have focused our attention on systemic and procedural changes which will improve our performance. Finally, we have renewed the Service's commitment to quality and service by increasing management emphasis on quality, by communicating to employees the need for quality and by providing increased training. While we cannot predict the future or make ironclad guarantees relative to the 1986 filing season, we can state that we are making every possible effort to identify and correct the problems we have encountered.

Our job is not finished. We are still looking at solutions to 1985 problems and exploring further improvements to our procedures. We have made substantial progress and we will continue our efforts to improve quality and service at the IRS for 1986 and the future.

My colleagues and I are available to answer questions from the subcommittee.

Senator GRASSLEY. I thank you, Commissioner Egger. I want to thank you for your testimony.

I have only a few questions before I go to Senator Specter. As of right now, both the Finance Committee and the House Ways and Means Committee are studying Tax Code changes that could become law. Earlier in your testimony, you raised the issue that part of your problem is that there have already been 4 or 5 major tax bills passed.

From you standpoint, how long of a moratorium would you need on tax legislation to implement all the changes that would be needed on your part if we did pass this massive tax bill?

Commissioner EGGER. Well, as the proposal was put forward by the President, it would have simplified processing of tax returns and other documents in the system, and would probably, in the long run, have made our work easier.

It would be my hope that the Congress would pass tax reform legislation which would lay the groundwork for a long period of stability so that we could sort of bring the thing in perspective and not have a tax law every year that is about the size of the 1954 Code.

Senator GRASSLEY. I would refer you to page 12 of your testimony, where you made a statement about the unacceptable levels of misapplied payments in the FTD offset system. This is a problem that I hear an awful lot about from small business people in my State.

It would help me if you could explain a little about why there are frequently so many foulups in this area, and how the taxpayer can best proceed to straighten out problems that do occur.

Commissioner EGGER. Let me explain what gave rise to so many of those problems, Mr. Chairman.

When we introduced the current FTD coupon, a lot of taxpayers failed to include all the information they needed. They failed to tell us for which quarter the payment was, they failed to tell us what kind of tax it was, things of that kind. And so we attempted to cope with that by applying the payment automatically to the current quarter and in many cases, that was not the right place for it to go.

Perhaps that payment had already been made and we would show a credit balance there and we would refund the amount automatically to the taxpayer. Or if we applied it to the current quarter and it was for the previous quarter, we might then, through our offset program, take a credit balance in their 1120 income tax account, and apply it to their employment tax account. And that is where the offset became a part of the problem.

I think that in something like 75 or 80 percent of the error cases, we tracked it back to the incomplete or incorrect preparation of these coupons by taxpayers. That gave rise then to the need for us to consult with the user community to determine what the problems were and what we could do to correct them. We started doing that last May. And finally, in September, we came out with a revised form, and those have been now printed and they are in the process of being distributed.

We also issued some additional instructions, and temporarily suspended the offset program to allow us time to assess benefits of the revised form and the additional taxpayer educational material.

I believe—and I have been over this at great length with the user community, with corporate tax officers and with the SBA and National Society of Public Accountants and others—that they are satisfied that at least we have done everything that seems feasible to do in trying to bring that whole program into perspective.

Senator GRASSLEY. Could you comment on your quality or your incentive pay arrangements, and I assume that that is directly related to your rededication to service with quality.

Is that right?

Commissioner EGGER. That is correct. In other words, what we are trying to do in the Incentive Pay Program, which is for the employees, is to show that the employees must demonstrate quality, and that is a consideration which will be built into the basis for which we award incentive pay to the employees. We are doing the same thing with the managers, only in the case of the managers and in the case of our executives, they will have to meet certain quality objectives in order to be entitled to any kind of bonuses or merits increases and so on.

Senator GRASSLEY. Have you run into trouble with employee unions or associations in regard to those plans?

Commissioner EGGER. I am not aware of any. I will ask Mr. Goldberg if he has any.

Mr. GOLDBERG. No, sir.

Mr. Tobias is sitting right behind me. He can describe this further.

The Incentive Pay Program is a result of a cooperative effort between the IRS and the National Treasury Employees Union. We met together, developed a program together, tested it together and are implementing it together.

Senator GRASSLEY. Senator Specter.

Senator SPECTER. Thank you very much, Mr. Chairman.

Mr. Egger, picking up on an item that I have mentioned in my opening statement, there was a report in the Philadelphia Inquirer just yesterday referring to the Sperry Univac computer system which has been reported to have certain problems, that it was caused by the fact that, and I quote directly, "IRS officials described programming to perform any other jobs, in direct violation of the earlier executive order that the system replace existing hardware and perform no new tasks."

Is that accurate?

Commissioner **Egger**. I do not believe it is accurate, but Mr. Laycock has more detailed background on that, and I would like him to speak to that.

Senator **Specter**. Is that statement accurate?

Mr. **Laycock**. No, sir. The original commitment that was made between IRS, OMB and Congress was to only purchase equipment which had the capacity to do what was currently being done plus extra capacity to handle an additional volume of legislative changes (a 2- to 3-percent increase in volume) and extra capacity necessary to program the system in a higher level language than what we had been using at the time.

Subsequent to that commitment, and starting in the planning process with that commitment, there was a change of administration. Then we had an emphasis on bringing about productivity in Government that called for doing some additional things that were hand done, that could be done by computer, and it was at that time that the original constraints were lifted and the additional applications that were put on the equipment were blessed by all the parties involved.

Senator **Specter**. Well, is it a fact that the Sperry equipment was programmed to do substantially more than had been anticipated or initially required of the Sperry equipment?

Mr. **Laycock**. Yes, sir, that is correct.

Senator **Specter**. What was your expectation that this could be accomplished, given the original capacity of that equipment?

Mr **Laycock**. The original contract had in it optional upgrades for outyears, and those upgrades were to take care of the additional applications.

Senator **Specter**. Commissioner Egger, one concern which I have concerns the notice which has come to you and your top officials as to problems, and the response which has been made today.

You testified before the House Ways and Means Committee back on March 11 of this year, and made references to the kinds of problems you confronted as being routine and a reference to what you say here at page 13 of the printed record as best we can determine, the Philadelphia tape incident appears to have been an aberration, a series of highly unlikely circumstances. And the question I have for you, is it not a fact that as of March 11 you knew that there were enormously serious problems with the computers in effect in Philadelphia, for example, which were giving a lot of problems.

Commissioner **Egger**. I knew that we had difficulties with computers, certainly. Not just in Philadelphia, but elsewhere. But the reference you have there had to do entirely with a mishandled reel of tape in Philadelphia. It did not have to do with the overall problems that the IRS had.

[Material submitted for the record:]

Quotation From March 11, 1985 Hearing

The Ways and Means Oversight Subcommittee hearing on March 11 dealt with a specific tape posting problem in the Philadelphia Service Center—not the overall status of the IRS processing system. Both Subcommittee press releases on the hearing (#1 of February 15, and #1—Revised of February 20) identify it as ". . . an investigation and hearing on tax payment posting problems in the Philadelphia Internal Revenue Service Center," and the printed hearing record (Serial 99-21) is entitled "IRS Tax Payment Posting Problems in Philadelphia Service Center."

The complete text of the prargraph on pages 13-14 of the hearing record that Senator Specter referred to appears below:

"The FTD tape posting problem that we are here to discuss exposed what I believe was a weak link in what is generally a rigorous chain of IRS's system of tape and data controls. The Service handles literally tens of thousands of tapes each year. As best we can determine, the Philadelphia tape incident appears to be an aberration—a series of highly unlikely circumstances. Notwithstanding the unique aspects of this problem, the incidents in Philadelphia contain valuable lessons for use throughout the operations of the Service."

Senator SPECTER. Did you not characterize the problems with the Philadelphia computers as routine——

Commissioner EGGER. We were not talking about the Philadelphia computer. We were talking about the handling of that tape.

Senator SPECTER. Other testimony given by you said the other problems in Philadelphia were simply routine and a matter of working out the bugs.

Commissioner EGGER. I do not recall the precise testimony and the response to it. But that particular hearing did not deal extensively with anything except that——

Senator SPECTER. Well, you have been quoted until recently, Commissioner Egger, describing computer problems as routine, working out unavoidable bugs in the Sperry system and the agency's new hardware programs.

Commissioner EGGER. Is that from a hearing?

Senator SPECTER. Again, quoting from the Philadelphia Inquirer.

Commissioner EGGER. I do not know what he is talking about. I would like to know the real text of what he quotes from.

Senator SPECTER. Well, we will provide the actual——

Commissioner EGGER. I would be glad to respond in writing to that.

Senator SPECTER. We will provide that to you.

The Philadelphia Inquirer article goes on to say that senior IRS officials ignored evidence that the system will not be able to handle this year's tax returns. Elements of the computer systems were not delivered to the IRS processing system until before the 1984 tax returns. Some critical software used to process the tax returns failed to arrive at some regional centers until after tax returns had begun arriving in late January.

And my question to you, is it true that senior IRS officials ignored such accumulated evidence?

Commissioner EGGER. The answer to that is no, we did not ignore the accumulating evidence. What we did back in the early part of 1984, was when we learned that our new COBOL programs were not running as fast as we had expected them to, was to decide to increase the system's capacity, which we did in 1984, as referred to in the terms of the options in our contract with Sperry.

Senator SPECTER. Well, Mr. Laycock is quoted directly in this article, and perhaps it would be most appropriate to turn to Mr. Laycock.

Have you seen the Inquirer article, Mr. Laycock?

Mr. LAYCOCK. Yes, I have.

Senator SPECTER. Were you inaccurately quoted in the article? Let me read it. This is a direct quote from Assistant Commissioner Thomas Laycock who heads computer operations, and it says as follows: "March or April 1984 was when we pretty much had confirmation that what occurred in October was going to happen."

Is that an accurate quotation?

Mr. LAYCOCK. Yes, sir, it is.

Senator SPECTER. Then you did know in March or April 1984 what happened in October 1984?

Mr. LAYCOCK. In March or April of 1984, we began the process with the Treasury Department to acquire the approvals to get the additional equipment that would allow us to solve that problem. The quote refers to a concern that we had from testing results in March and April, from which extrapolations were made of what was going to happen in October. Those extrapolations proved to be correct.

However, during the period from March and April on into October, extensive efforts between the Treasury Department and GSA were being made to get the approval for acquiring additional equipment.

Senator SPECTER. Well, was the additional equipment acquired? Did you get the approval?

Mr. LAYCOCK. Yes, we did.

Senator SPECTER. When was it put into operation?

Mr. LAYCOCK. Additional equipment was installed between the period of September 1984 and February 1985, and has been installed all this year in preparation for 1986 as well.

Senator SPECTER. Well, if it is being installed significantly in preparation for 1986, then was it your expectation that it would be in place and adequate to handle the kinds of problems you were facing in 1985?

Mr. LAYCOCK. The equipment that we installed in the latter part of 1984 and the early part of 1985 was the exercising of options in the existing contract plus the optimization of the programs that we hoped would bring the processing speeds up to a level where the additional hardware and the optimization of speeds would do the job for us.

Senator SPECTER. Your key words are hoped that it would do the job, but did you have any confidence or any real assurance that it was gong to solve the problem?

Mr. LAYCOCK. No, sir. Not that it would solve the problem, but that would be a step in the right direction in giving us estimates on what could be achieved by the additional hardware and the optimization, so that we would get to a point where it would be something that we could live with.

Senator GRASSLEY. Senator Specter, since I have to go to the floor because of the agriculture bill, I would like you to chair the hearing and call the remaining witnesses in order.

Senator SPECTER. Thank you very much, Senator Grassley.

Mr. Laycock, the problem that I am having, as I hear your testimony, you are saying that you were undertaking these matters with the hope of getting it worked out, but with really major questions as to whether this equipment was going to be in place in time to solve the 1985 problems.

Mr. LAYCOCK. That is right.

Senator SPECTER. When was this equipment all installed? When was the last bit of this equipment actually delivered, for example, to the Philadelphia office?

Mr. LAYCOCK. Senator, my belief is that neither IRS nor Sperry anticipated prior to the March or April period that this additional equipment was going to be——

Senator SPECTER. 1984, March or April?

Mr. LAYCOCK. Right. When we did get the approvals to go ahead and order, we caught Sperry in the process of bringing their production line down on the 1100/84 equipment or 1100/80 equipment, and at the same time beginning to produce their new line of hardware, the 1100/90 equipment. The Sperry Corp. responded not within the contractual limits of what the contract called for with respect to delivery, but on a delayed basis, some of it 90 days later than what the contractual obligations did call for. They delivered it late, and in some cases, having taken shortcuts, which caused the equipment not to be reliable when it was initially installed. So the period to get it reliable was longer, and impacted production more than it might have been had we been able to anticipate this earlier.

Senator SPECTER. My question is, when was it all delivered?

Mr. LAYCOCK. I believe it was all installed in about February 1985, the last few pieces. I would have to double-check that to be sure.

Senator SPECTER. Would you, please.

Mr. LAYCOCK. Yes, I will.

Senator SPECTER. And you say that there were shortcuts and problems on the shakedown.

Mr. LAYCOCK. There were shortcuts taken to get us the equipment as fast as they could under the circumstances, one of which was not putting the equipment in a test facility prior to shipping it to us, but to ship it to us earlier and provide that kind of service on site, which created some——

Senator SPECTER. When did you ask Sperry for the delivery? When did you make the request for Sperry that the deliver the equipment at the earliest possible time?

Mr. LAYCOCK. I would have to check the date to be sure, but when we ordered the equipment we had no indication that they would not be able to meet their contractual obligations of delivery within 90 days.

Senator SPECTER. My question to you is, if you know, when did you make that request?

Mr. LAYCOCK. I do not remember the dates specifically. Commissioner Egger. Senator Specter——

Senator SPECTER. The problem that I have, Mr. Laycock, in trying to put these pieces togther to see what has happened is that again, continuing from the Inquirer article in March of 1984, and I will ask you if this is accurate, Mr. Laycock issued a memorandum to the Treasury Department, saying the IRS had so grossly overestimated the tax processing speed of this new system that massive backlogs will result, and this is in quotes, seriously limit the IRS's ability to accomplish its mission. This situation will rapidly deteriorate further unless appropriate and remedial action is taken immediately.

Now, the questions are, No. 1, when did you find out about that? Just in March of 1984?

Mr. LAYCOCK. Yes.

Senator SPECTER. When did you ask Sperry to deliver the new equipment, and when was the new equipment delivered? And what was your expectation as to what that would accomplish?

Mr. LAYCOCK. I have all that information, but not in my head, as far as the dates are concerned, because it was a protracted effort. But I can get it for you.

Commissioner EGGER. Senator Specter, the point of confusion here is that it was not just a piece of equipment. There was a lot of it, at different dates. Those dates are all spelled out in the contract, in both in both the contract delivery dates and the actual delivery dates of that equipment in each of the service centers.

Senator SPECTER. Well, the problems that I have had all along, in my visit and conversation with a lot of your people, is to find out what really happened, and what Mr. Laycock is describing to us today appears to me to be at substantial variance with your testimony on March 11, 1985. The staff has found a specific quotation, and it is this: "As with any undertaking of this size, a large number of traditional problems appear. There is simply no way to avoid a shakedown period or working out the bugs in the equipment, the software and the procedures for operations of the new system."

Now, that is totally at variance with an awareness by you that there is a massive problem here where you are bringing in equipment late and there is a real question as to whether it is going to be in place in time to do the job.

Here you are saying there are routine bugs to be worked out. This is something that is undertaken in any sort of an operation, and this is in marked contrast with what Mr. Laycock's memorandum describes here as a massive backlog which would seriously limit IRS ability to accomplish its mission

The situation will rapidly deteriorate further unless appropriate remedial action is taken immediately, and I visited the center on April 5, just about contemporaneous with that. Senator Heinz and I are getting an enormous number of complaints, and we have the impression that this is routine from your point of view, but what really is going on is that you are facing a total breakdown of the system.

Commissioner EGGER. I just do not agree to two things. As I said before, that comment was part of may testimony on a different subject, but the point is here——

Senator SPECTER. Was your testimony on a different subject?

Commissioner EGGER. Yes. The quote that you are making had to do with one tape up in Philadelphia, but I am saying that in March of 1984 it became clear and obvious that the programs were going to take more run time than we had anticiptated. Then we had to go about the process of going through Treasury and GSA in order to get the necessary approval to exercise our options with Sperry to get the enhancements to the system, and that is what took the time in that period from the spring of 1984 until the fall or late summer, when the deliveries were actually given.

Senator SPECTER. Mr. Egger, this testimony is not about today. I would like you to examine this at your leisure, and I would like you to focus and to think about what I consider to be the inconsistency and incongruity.

The question about the tape is far earlier in your testimony, and I do not expect you to remember it in detail, but what I just read you comes after a statement on your part where you say you would like to mention one additional factor. All 10 IRS service centers were going through the most significant phase of what we—you go on here to talk about the system in its entirety. You are not talking about one tape here. You are describing what IRS is doing.

Commissioner EGGER. But the statement is an accurate statement. That is my point. That and all of these conversions that have that kind of problem.

[Material submitted for the record follows:]

FURTHER QUOTATION FROM THE MARCH 11, 1985 HEARING

The complete text of the portion of the Commissioner's testimony cited by the Senator from pages 22-23 of the March 11 hearing record appears below:

"Mr. Chairman, reading the cold print of the chronology at PSC, the series of failures and mistakes seems difficult to understand. Without in any way attempting to justify or excuse the conduct, I believe it would be valuable for this committee to understand the context in which the problems arose.

"During my tenure as Commissioner, the IRS has gone through a series of very significant, almost radical, technology changes. In the past few years, we have attempted to absorb automated computer-based collection, accounting, and examination procedures. As the jobs of individual employees have become more and more specialized, our employees know more and more about their jobs but less and less about the integrated system as a whole.

"The shift to more sophisticated and specialized jobs is probably unavoidable. The demands on the IRS increase with a growing and more complex economy and with each new tax bill. Consequently, we will increasingly depend on automated practices.

"Despite these pressures, it is the responsibility of the senior executives in the IRS to communicate the mission of the organization to every employee. As we have seen here, the problem was not that the computer broke down; the problem was in fact that the computer worked. Unfortunately, the individuals involved did not see or give consideration to the scope of the effects that tape posting delay may have had.

"I would like to mention one additional factor. During the period at issue here, all 10 IRS Service Centers were going through the most significant phase of what we call Service Center Replacement System, [SCRS]. Under the SCRS, virtually all the basic hardware at the Centers and NCC was replaced. In addition, we shifted our programming language so that we would be able to write new programs more easily and efficiently.

"As with any undertaking of this size, a large number of transitional problems appeared. There is simply no way to avoid a shakedown period for working out the bugs in the equipment, the software, and the procedures for operation of any new system.

"While there is no direct relationship between the SCRS conversion and the problems at PSC, the Center was undoubtedly focusing on the very large change that was going on around them and not the seemingly minor problem of a delay in the posting of one tape.

"Also, because of some problems associated with the conversion process, our inventories of taxpayer correspondence and adjustments increased during this period. This temporary increase in inventories also tended to mask the problem from those who handle these adjustment issues.

"Again, Mr. Chairman, let me publicly apologize to those taxpayers who suffered frustration and inconvenience because of our failure to properly credit their timely payments. We are sorry this happened and are working to see that it does not happen again.

"I would be happy to answer your questions, Mr. Chairman.

Senator SPECTER. The critical date that I would like to know is when was all the equipment in place, and I am trying to pinpoint an earliest time that you have a reason to believe that the equipment could do the job.

Mr. LAYCOCK. The last piece of equipment to be delivered was actually delivered January 11, 1985 and was certified ready for use on March 13, 1985.

Now, that was at the Atlanta center.

Senator SPECTER. How about Philadelphia?

Mr. LAYCOCK. The earliest piece of equipment was in June 1984; but your question was related to Philadelphia, and the equipment was certified ready for use there on January 18, 1985.

Senator SPECTER. The final piece of equipment was certified for use on January 18, 1985, in Philadelphia?

Mr. LAYCOCK. Yes, sir. That was 41 days later than the original delivery date.

Senator SPECTER. Let me move on for purposes of time elapsing.

Before moving on, I would like to call on my colleague, Senator Heinz.

Senator HEINZ. Thank you very much, Mr. Chairman. I do have a few questions.

Commissioner, just to pursue briefly Senator Specter's line of questioning, as I understand the situation, in early 1984 there were indications that the system could have some very serious problems, when it had to start operating in 1985.

Commissioner EGGER. Yes, that is correct.

Senator HEINZ. You have been asked on other occasions when you saw the storm flags flying why did you not head for port, and your answer was, in effect, well, we were so far across the—so far out of the harbor we might as well just continue on to our destination, besides which someone had nailed the gate on the harbor shut.

Is that basically your reason for going ahead with the system?

Commissioner EGGER. No. Basically the problem was that some 2 years before that we had made the decision to go with the higher level COBOL language for all the programs, and had even discontinued training on the maintenance assembly programs, which were the old system. Having gone as far as we did, the possibility even of trying to then go back to the old system——

Senator HEINZ. The old system was operating at that time.

Commissioner EGGER. The old system was not operating——

Senator HEINZ. But taxpayers were filing, they were getting refunds, and their returns were processed under the old system.

Commissioner EGGER. Well, it was operating in 1984, but we did not have the trained programmers to do the conversion; that is to say, to do the rewriting of programs for 1985, for the filing season of 1985, for example, to make all the changes that we had to make because of the 1984 act. That requires an extensive reprogramming.

Senator HEINZ. We will get to the 1984 act in a minute.

I guess what I am concerned about is that what I think you are saying is there was no contingency plan, and we had to go full speed ahead——

Commissioner EGGER. There was no plan——

Senator HEINZ. The ship had to head for shore, even if it was on the rocks.

Commissioner EGGER. There was no plan to run two systems parallel, because the cost would have been absolutely staggering. We did not have the personal, we did not have the space. We could not possibly have run those two programs parallel.

Senator HEINZ. Not with the personnel cuts that you have described.

Commissioner EGGER. Not even with the space. We would have to have doubled the computer room space, and that takes months to prepare.

Senator HEINZ. Well, how did you manage to do the 1984 returns—the returns filed in 1984, and processed in 1984 for the——

Commissioner EGGER. Because the new equipment was already in place at that time. We were running test programs in Memphis, and so on, throughout that period.

Senator HEINZ. I guess the reason I do not understand, or I find your explanation a bit unconvincing, is that what you have just said is that there is no way we could do both. We could have a contingency plan for 1985. Yet during the process of the key processing times of 1984, which were the spring and summer of calendar 1984, you had a lot of the same equipment in place. You were training people, I guess, at some point to operate it. The old equipment was still there, and you just said to me a moment ago you did not have the space for both. And yet in 1984 you did have the space for both.

What do I not understand?

Commissioner EGGER. As we moved the new equipment in, we moved old equipment out. Our programmers were all involved in writing programs in COBOL and were being so trained, and there was no real possibility of being able to go back and, in effect, undo that.

Senator HEINZ. That is a key contention, I have to tell you. And it is refuted by the statements by some of the district directors of your service centers.

Commissioner EGGER. Really? I would like to pursue that. I do not know anybody who stated we had the capability of running both those systems together.

Senator HEINZ. Let me quote, if I may, according to the article of Monday, November 18 in the Inquirer, it indicates that the Appropriations Committee report challenges, and I quote, "challenges the need for installing the equipment at the time you installed it"; that is to say, calendar 1984, by quoting service center directors of urging that the installation be delayed. It does on, that for this repudiation applied for service centers ranging in size from Cincinnati to Fresno, from the smallest to the largest, and suggesting that the havoc wreaked upon the Service Centers, many of whose officials had advocated delay, need not have occurred.

So Cincinnati and Fresno are apparently the service centers that urged that you not go ahead. What do you have to say to this particular report?

Commissioner EGGER. I have not seen the report, so I do not know what they are talking about precisely. But I will say this: Given the problems we had in simply trying to keep the old system

Senator **Heinz**. And if the equipment does not work, then that is a penalty that the taxpayer pays. That is an odd kind of penalty. Let us leave it at that. You might want to consult with people who are better at executing penalty clauses, because simply having possession of equipment and not paying, and not getting, you know, what you need, may not be good enough for the implementation of public policy.

Mr. **Laycock**. May I go back and give you some details about the putting of equipment in place at the same time?

[Material submitted for the record follows:]

Equipment Contracts

Based on the terms and conditions of the SCRS contract, liquidated damages to include both lease and maintenance charges, could be levied against the vendor (Sperry) when delivery requirements were not met. Paragraph E.18.1. states, **"the contractor shall deliver within 120 days from the issuance of a delivery order, unless a longer delivery time is specified by the Government."**

Per the SCRS contract, E.11.1.1.b., **"Liquidated damages of 1/30th of the Contractors Total Monthly Charge for those items not installed, shall be assessed for each calendar day of non-compliance to the delivery order(s)."**

Delivery of the ten 4th CPU's was an average of 48.6 days late. Liquidated damages were computed at $253,451. The two CPU's (1100/82) requested for NCC were delivered separately, the second CPU being 82 days late, representing liquidated damages in the amount of $28,658.

By letter of May 21, 1985, Sperry was notified of the Service's intent to collect liquidated damages under the terms of the SCRS contract in the amount of $282,109.00. Sperry was notified that pending a final decision, it was necessary to determine if Sperry's failure to perform arose from causes beyond their control and without fault or negligence on their part. Sperry was requested to present in writing any facts pertinent to this question.

In two separate letters dated June 17, 1985, Sperry responded to the Service's claim to assess liquidated damages for late delivery. In one letter Sperry claimed that:

1. Sperry had provisionally stopped production of its 1100/80 systems based on projected requirements of the IRS (and other customers) for March 1985 and 1987 delivery of 1100/80's and did not have twenty systems in inventory;
2. delays in receiving components from suppliers caused delays in production; and,
3. delivery of four of the 1100/80 systems were impacted by DOD DO ratings, which by law had priority over all non-rated orders.

The second Sperry letter of June 17, 1985, enumerated the significant efforts outside the terms of the contract (in the amount of $505,000) which were expended by Sperry to assist the IRS. These include in part: performing complete site audits at each Service Center and the NCC; performing system performance studies at the Fresno and Brookhaven Service Centers; establishing a 24 hour a day, 7 day a week command post; assigning site managers to all SCRS locations; installing a spare disk drive at each SCRS site to facilitate preventive and emergency maintenance; and, insituting a one hour response time to all emergency maintenance requests.

The June 17, 1985, Sperry letters were reviewed by the Service and it was agreed that Sperry had taken significant action to assist the Service in fulfilling its mission. It was therefore determined on July 18, 1985, that liquidated damages would not be assessed against Sperry.

tivity of the Internal Revenue Service is raised by this oversight today, and on other occasions, I am sure you wish this is the only opportunity you have to testify, and it is not. You will have plenty of others. Do not worry.

Commissioner EGGER. I feel certain of that. [Laughter.]

Senator HEINZ. Then maybe this has served a useful purpose.

Commissioner EGGER. Let me say that, No. 1, hindsight is always so easy, as you know, and probably if we had started 10 years ago to make a great plan for the future, everything in the world, including our technology, would have changed, and we could have thrown it out and started all over.

I have had eight senior officials from top corporate enterprises around this country come in and talk with us about the problems that they ran into in making major conversions. These are experts, and without exception, they have all said the only wonder is that you did not have more problems than you did.

I do not think we knew everything that we know today about a massive conversion of this type, but let me tell you that managing in the private sector is a lot easier at times than managing in the public sector, where you get your changes made for you sometimes emotionally or politically, or some other way.

So that it is not a question of us having been cavalier about anything. We made the plans we should. We brought in outsiders. We have had experts looking over our shoulder, and no one has been ready, willing or able to say, "wait a minute, do not do what you are about to do." They have all said it is both necessary and you do not have any choice. I am well aware of the critical nature of this agency in terms of providing the revenues with which to run the Government, but we do need understanding and support from time to time, and that is when we come over here to this body to ask for the financial support in order to do things that are necessary.

I said in my testimony that we dropped down some 9,000 positions from 1980 until 1984 in returns processing alone, and we were so thin that when we ran into some of these glitches we simply did not have the necessary staff depth. We had to start robbing Peter to pay Paul, and moving people out of examination and collection and everything else, in order to deal with the problem. So I am simply saying to you that you cannot oversimplify this array of problems.

We are dealing with them. We are dealing with them as quickly as we can.

Senator SPECTER. We have quite a number of witnesses to go through yet. There are quite a number of topics to cover, so to the extent that we could abbreviate the answers, we will try to abbreviate the questions.

Thank you very much, Senator.

Commissioner Egger, if we do no get through all these subject matters, will you be willing to come back for a continuance of this hearing?

Commissioner EGGER. Certainly. We want you to understand, Senator Spector, that the most important thing that we can do is to see that the American public understands the problems of this tax system as well as how we are going about the solution of the problem.

Senator SPECTER. Well, we may ask you to come back as a follow-up witness, because there are a great many questions unanswered. We are about to convene a public meeting over lunch today, but let us move ahead for just a few more minutes before calling on the other witnesses.

Mr. Laycock, I would ask that you make available to this subcommittee all memoranda you have or others have on this issue as to when you first detected the nature of the problem. We would like to pinpoint that as best we can, at the earliest date when you knew the problem existed, and I have reference to another excerpt which gives an indication of an earlier point identification, although there is no direct quote, but this is what it says. But in July 1983, 16 months before the system was installed at service centers across the Nation, IRS officials realized that they had grossly miscalcualted their data processing needs and processing capabilities of the new system, they say. Is there anything to that?

Mr. LAYCOCK. I do not know what that refers to, and I cannot respond.

Senator SPECTER. Well, will you take a look at the specific reference in the article, see if you can supplement your answer, and make available to this subcommittee—are you willing to make available all memoranda to us as to when you realized this problem existed, because we would like to see what problems you had when you started work.

Mr. LAYCOCK. Yes, sir.

[Material submitted for the record follows:]

The next best source of modeling data will come from the rebenchmark of the SCRS system. During the rebenchmark, Mr. DeVille of the CPE Staff will closely monitor the system using software monitors. The software monitor data, and the present estimates for On-Line Error Correction, will enable us to refine the projected impact of On-Line Error Correction on the SCRS system. These projections should be available by late July or early August.

After some of the new COBOL programs are installed on the Memphis SCRS system, another monitoring and modeling process will be performed. We will then reevaluate the resources required to support the workload.

In summary, the initial assessment of On-Line Error Correction indicates that we will require additional processor and I/O capacity to support the applications. By early August, the CPE Staff will have enough information to refine the initial impact assessment of On-Line Error Correction on the SCRS systems. Also, additional modeling studies will be performed after some of the new COBOL programs are installed at Memphis. The results of the additional studies will be used to further refine our equipment requirements.

Internal Revenue Service
memorandum

date: 1 5 MAR 1983

to: The File

from: Larry DeVille D:C:H: Larry DeVille

subject: Modeling of Service Center Replacement System (SCRS) Equipment and Software

This memo is a follow-up to the June 4, 1982, memo from D:C:H to D:C concerning the above subject matter.

In the June 4 memo we stated that an update of the modeling results would be performed using performance data from the SCRS benchmark in Memphis and any additional data from currently developed SCRS applications. At this time, the available data consists of the benchmark data and an updated estimate of on-line error resolution (OLER) transaction volume. Using these data, a new modeling projection was formulated.

The benchmark data used in the analytic model consisted of software monitor measurements and accounting log data gathered during the running of "problem 1" (i.e., a mix of batch programs and transaction programs). The measured problem consisted of 12 batch runs and a transaction volume of 12.4 transactions per second. These volumes and measurements were input to the model. The model was then used to project the impact that higher transaction volumes, expected in 1985 and 1986, would have on the total system.

The assumptions concerning the resources used by the error resolution transactions were as follows:

1) 150 milliseconds CPU time per transaction (which includes both user and EXEC CPU times).

2) 65K words of memory per transaction.

3) 10 I/O's per transaction.

4) 27 milliseconds service time per I/O (access and seek time).

5) 160,200 transaction per 10-hour day, which yields an average transaction rate of 4.45 transactions per second. This rate was increased in steps to a maximum of 180,000 transaction per 10-hour day (5.0 transactions per seconds).

6) A third CPU and a third meg of memory were included in the modeled system.

Table 1 presents the model predictions of response times and CPU utilizations for various rates of transaction interface processor (TIP) transactions (IDRS) and error resolution transactions. The years modeled were 1984 through 1986, and the results are presented in three groups.

Impact of Moving ERS to DIS

A. ASSUMPTIONS

1. The SCRS Usage Study will be used to identify the affected programs and their resource requirements.

2. If ERS is moved to DIS most or all of the GMF processes must be moved to DIS.

3. The ERS and GMF programs would be ready for DIS when it is installed, if not we could "muddle through" with ERS/GMF on the SCRS until the DIS programs are ready.

B. ADVANTAGES

1. Removes a significant load from SCRS Phase IV nightly batch processing (GMF01-8.5 hours; GMF07-2.5 hours; GMF15-8.7 hours) remaining nightly batch would be 6.9 hours.

2. Would allow for 16 hours of IDRS processing per day.

3. Error detection/correction could be simultaneous with DIS record entry on same machine. We could retain the concept of separate ERS terminal operations so that DIS operators could achieve optimum data entry speed.

4. Placing ERS on DIS removes a sizable transaction processing workload from the prime shift on SCRS. Current estimates indicate that ERS CPU requirements will account for about 25% of a three processor system (i.e, UNIVAC 1100/83) and possibly a similar percentage of the I/O resources.

5. Allows for a redesign/reprogramming of GMF while minimizing the political impact of such a decision.

C. DISADVANTAGES

1. We would negate the idea of DIS being a turn-key system. The DIS should have to be a more complex system from both the hardware and software aspects to handle GMF/ERS. The present concept of DIS being a number of minicomputers connected by a communications network would have to be expanded to provide enough processing power to service GMF and ERS. This could prove to be too expensive and too time consuming.

2. If the DIS system were to communicate electronically with SCRS, the DCPS would have to be replaced with a communication system compatible with DIS and SCRS.

3. It might be easier to redesign and reprogram GMF/ERS on SCRS since the programmers and analysts already have experience on the UNIVAC and we have the PDS for development work.

4. We would need a separate support staff for the development and maintenance of GMF/ERS on DIS, since DIS would not be a turn-key system.

SCRS
USAGE
STUDY

(Nightly Batch Processing)

Internal Revenue Service
Computer Services
Hardware Division
Computer Performance Evaluation Staff
SCRS Usage Study Group

February 1983

PREFACE

The ADP Performance Evaluation Staff (D:C:H:P) conducted a study to determine whether or not adequate UNIVAC computer equipment will be in place to process the various SCRS nightly batch processing applications as they are added to the system during Transition Plan Phases III and IV.

The objectives of the study are to: (1) estimate the CPU capacity of the UNIVAC 1100/80 system series; (2) determine the CPU time required to process the SCRS applications for Phases III and IV; (3) compare the CPU time required to the CPU capacity that is estimated to be available at the various transition phases of SCRS; (4) determine whether additional equipment resources or application design changes are necessary to process the workload; and (5) recommend a plan for acquiring any required additional equipment resources.

Because the results strongly depend on the workload measured, generalizing the recommendations beyond the systems described, or extracting conclusions without their respective qualifying conditions is not necessarily valid. Questions regarding this report or the possibility of extending the stated conclusions should be addressed to the report's authors.

EXECUTIVE SUMMARY

The primary purpose of the SCRS Usage Study is to determine whether or not adequate UNIVAC computer equipment will be in place to process the various Service Center Replacement System (SCRS) applications as they are added to the system during Transition Plan Phases III and IV.

At Memphis Service Center (MCS), the pilot center, the SCRS Phase III peak nightly batch workload is currently projected to require 90% of the available CPU capacity provided by a dual-processor system. In practical terms this means that the CPU at the pilot center will be saturated by April 1984. The remaining

D. Acronyms

BMF	Business Master File
CIP	COBOL Instrumentation Package
CPE	Computer Performance
CPU	Central Processing Unit
DDES	Direct Data Entry System
ERS	Error Resolution System
FLAP	Flow Analysis Processor
FTD	Federal Tax Deposit
GMF	Generalized Mainline Framework
GUF	Generalized Unpostable Framework
IDRS	Integrated Data Retrieval System
IMF	Individual Master File
IOU	Input/Output Unit
IRP	Information Returns Processing
NBPS	Nightly Batch Processing Scenario
PM	Preventive Maintenance
PV	Performance Validation
RTAP	Real Time Application Program
SCRS	Service Center Replacement System
SUP	Standard Unit of Processing
TIF	Taxpayer Information File
TIP	Transaction Interface Processor
USAGE	Understanding SCRS Applications Growth Environment

E. Study Members/Areas of Expertise

Member	Area	Participation
R. Switala	Study Leader	Full-time
D. Jacomet	Asst. Study Leader	Full-time
A. Samms	UNIVAC Software Support Staff	Part-time
E-Kay Leu	DMS-1100 Data Base Staff	Part-time
C. Hardy	Generalized Mainline Framework	Full-time
J. Burks	IDRS/TIF Processing	Full-time
H. Simpson	Error Resolution System/IDRS	Full-time
L. DeVille	CPE Staff-Computer Modeling	Part-time
J. Rogers	CPE Staff-IDRS Performance	Part-time
R. Bogusky	CPE Staff-IDRS Files History	Part-time
C. Owen	SCRS DDES Edit	Part-time
J. White	CPE Staff-Technical Writer	Part-time

Other personnel were contacted during the course of the study, but did not actually participate as a study group member. Appendix B lists the other personnel contacted while this study was underway. The study group gratefully acknowledges their input and participation. In particular, the study team would like to acknowledge the assistance of McVay Williams from the Memphis Service Center Computer Branch. Without his expertise and assistance we would not have been able to effectively gather the production volumes used in the workload projections.

II. SCRS SYSTEM DESCRIPTION

A. Equipment Configurations

Each service center will have a configuration of a UNIVAC 1100/80 system to process the SCRS workload. The main component that this study is concerned about is the CPU. Table II-1 lists the planned configurations for each service center.

It should be noted that the contract with Sperry-UNIVAC provides for much flexibilty for optional upgrades and is not severely limited by line item quantities.

- The SCRS should be able to process today's peak volumes and still have reserve capacity of approximately 15 percent for additional batch workload.

- In order to effect a more realistic user CPU time availability, the following assumptions are made:

  - Other production runs will consume 10% of the user CPU time available. This is intended to provide an allowance for the miscellaneous production runs not included in the projected nightly batch processing scenario.

  - Local runs will not exceed 10% of the user CPU time available. This should allow service centers adequate resources to run their local programs and systems.

  - Housekeeping runs wil consume 5% of the user CPU time available.

  - Re-runs and system downtime will each be 5% of the total available time.

- The following assumptions will permit the calculation of CPU time available on an 1100/83 and 1100/84 system. (The percentages listed are based on UNIVAC literature).

  - An 1100/83 will increase user CPU availability by 38.2% over an 1100/82.

  - An 1100/84 will increase user CPU availability by 68.4% over an 1100/82.

- It is assumed that certain SCRS runs (such as GMF01) will reduce their CPU appetite through program modification and restructuring. This will provide an unknown amount of gain (i.e., a reduction in user CPU time required). However, there will also be losses. For example, in the case of the GMF run string, the timings reflect the processing of relatively simple tax documents (i.e., IRP documents). As these mature to process our most complex tax records (i.e., Forms 1040) it is assumed the CPU time required per input record will increase.

- One of the tests (problem number two) was specifically designed to represent nightly batch processing. In general, the PV problem was divided into four program categories: reformats, sorts, updates, and edits. Various combinations of these programs, along with varying input data, comprised the entire problem. There are several reasons for relying on the PV results to determine available user CPU time.

  First, this PV problem represented the types of programs which will be run.

  Secondly, during nightly batch processing, the vendor was able to finely tune the system hardware and software components.

  Third, based upon software monitor data, the system resources were driven close to saturation. In fact, the average CPU utilization during problem two was over 94%. Therefore, the user CPU availability represents the maximum efficiency that can be expected from an 1100/82 system processing our expected type of workload under ideal conditions. Since the CPU complex is assumed to be the most critical resource in estimating our processing capacity, the analysis of the PV results for problem number two are limited to CPU utilization.

IV. METHODOLOGY

A. Measurement Data

The study analysis was based upon two sources of information: Master Log File data and projected input record volumes.

Of the Master Log File data elements we were primarily concerned with (user) CPU SUP's. SUP is a UNIVAC term which stands for Standard Unit of Processing and is expressed in terms of time (e.g., SUP seconds). It was designed as a measure to be used in customer billing and accounting systems; but is also customarily used in performance and workload analyses. CPU SUPs are a measured quantity representing the time actually spent (excludes contention time due to the nature of the processing mix) by a user program executing within a processor.

Input record volumes were obtained for the combined (IMF and BMF) peak processing cycle in Calendar Year 1982 for Memphis Service Center. Within the peak cycle, the combined peak daily volumes were identified and used for analysis. These volumes were not adjusted to reflect any annual growth. We did not wish to further complicate the projection process by introducing questionable workload growth factors.

B. Sources of Data

In order to identify possible sources of Master Log File data for making workload projections, the study group correlated each run in the Nightly Batch Processing Scenario (NBPS) to a run from one of three possible areas. In descending order of priority these sources were:

- Current SCRS production
- SAT or programmer tests of SCRS runs for Phase II
- Problem Two of the PV which represented nightly batch processing.

In linking these NBPS runs, we attempted to find a representative which most "looked like it" functionally. In some cases the NBPS run actually existed in SCRS production or SAT; however, in most instances the NBPS runs had not progressed to the stage in which any program code was actually written. For these, the study group selected PV runs which were functionally similar.

C. Computation of Workload Estimates

In order to estimate user CPU requirements, it was first necessary to identify the runs to be executed on a daily basis. The NBPS represents the major runs, currently identified by the Study Group and grouped by major application, which must be executed between real time processing periods.

For each run within the NBPS, the master log data and input record volumes for the representative runs (multiple occurrences where possible) were obtained and CPU SUP's per input

Phase IV

Application		CPU Time (Hours)	% of Workload
DLY	Daily Blocking & Numbering Runs	1.030	3.9
DOC		.003	-
DTR	Daily Transaction Register	.005	-
EAX	EACS System	.006	-
EOD	End of Day Processing	.580	2.2
ERS	Error Resolution System	.980	3.7
GMF	Generalized Mainline Framework	11.710	44.1
GMF15	Tape Edit Processing	8.680	32.7
FTD	Federal Tax Deposit System	1.240	4.7
TRS	Microfilm Replacement System	.690	2.6
URF	Unidentified Remittance Processing	.019	-
IRP	Information Returns Processing (including TEFRA)	1.613	6.1
Total		26.556	100.0

Table V-2

It is important to keep in mind five points in understanding the 9.9 hours (Phase III) and 26.6 hours (Phase IV) user CPU requirements:

- No allowance was made for growth in the number of returns filed nor for increases in IDRS processing (beyond 1982 levels).

- The Phase IV CPU requirement includes one hour per night for the Error Resolution System which was not included in the original SCRS sizing requirements.

- Phases III and IV CPU requirements include all the major application groups that must be run on a daily basis. The Generalized Mainline Framework (GMF) run string includes the SCRS DDES edit (GMF01). While some portion of this workload might be accomplished with real time, indications are that the majority of this workload must be run during nightly batch processing under the initial configuration of a dual-processor system.

  Also, indications are that the GMF15 run, which is representative of today's Tape Edit Processing and is currently executed during the day on the Honeywell system, would best be run at night and not with real time during the day. Therefore, timings for it have been included in the user CPU time projections.

- The requirements for IRP processing during Phases III and IV pertain to estimated volumes (documents submitted to IRS via magnetic tape)at MSC spread over 100 workdays. The record volume used includes the estimated TEFRA documents which may be redistributed to MSC from BSC but does not include paper document. For IRP processing only, MSC has one of the lowest workload volumes compared to the other service centers. The estimated workload varies from 1.5 hours per day at ATSC to 3.0 hours per day at BSC.

- These user requirements do not include any provision for local applications, housekeeping, and other production. As discussed previously, under the Assumptions section, we are estimating these requirements to be 25% of the total workload.

Table V-3 below, summarizes the total estimated workload:

Workload Requirements (Hours)

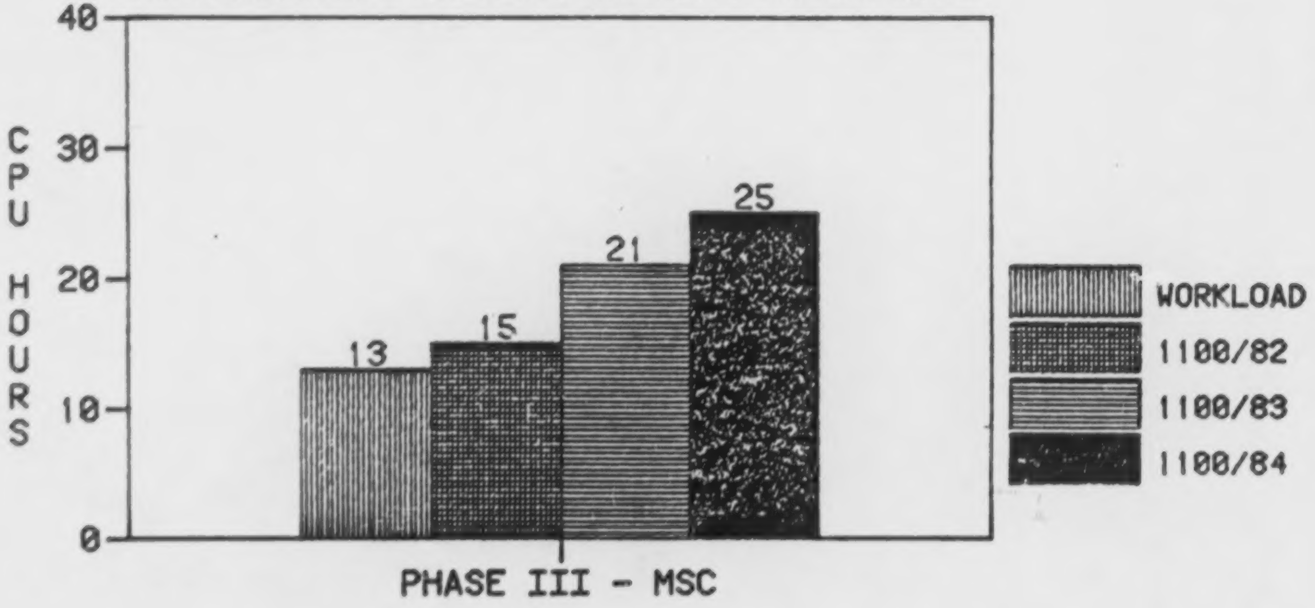
	Phase III	Phase IV
SCRS Production	9.9	26.6
Other, Local, and Housekeeping	3.3	8.9
Total	13.2	35.5

Table V-3

C. Requirements vs Available Capacity

Figures V-1 and V-2 illustrate the information in Tables V-1 and V-3. In Phase III, the peak workload should require 90% of the estimated available capacity of a dual-processor system. In effect this means that at MSC a dual-processor system will be saturated when the Phase III workload is brought into production status. At the other service centers this will not be the case, because IRP processing will have been completed prior to the start of Phase III.

By January 1985, when all service centers will be in Phase IV, the expected capacity deficiency will be 50% (based on a single four-processor system) during the peak period of Nightly Batch Processing. In addition to the impact of peak processing volumes and the introduction of Phase IV work, the capacity shortfall will be significantly affected by the implementation of the 16-hour IDRS Real time period. This is illustrated in Figure V-2 ("12-Hour Period" vs "8-Hour Period" bar groupings).



SCRS USAGE STUDY
NIGHTLY BATCH PROCESSING (12 HOURS)
COMPARISON OF ESTIMATED WORKLOAD TO CAPACITY

FIGURE V-1

SCRS USAGE STUDY
PHASE IV NIGHTLY BATCH PROCESSING
COMPARISON OF ESTIMATED WORKLOAD TO CAPACITY

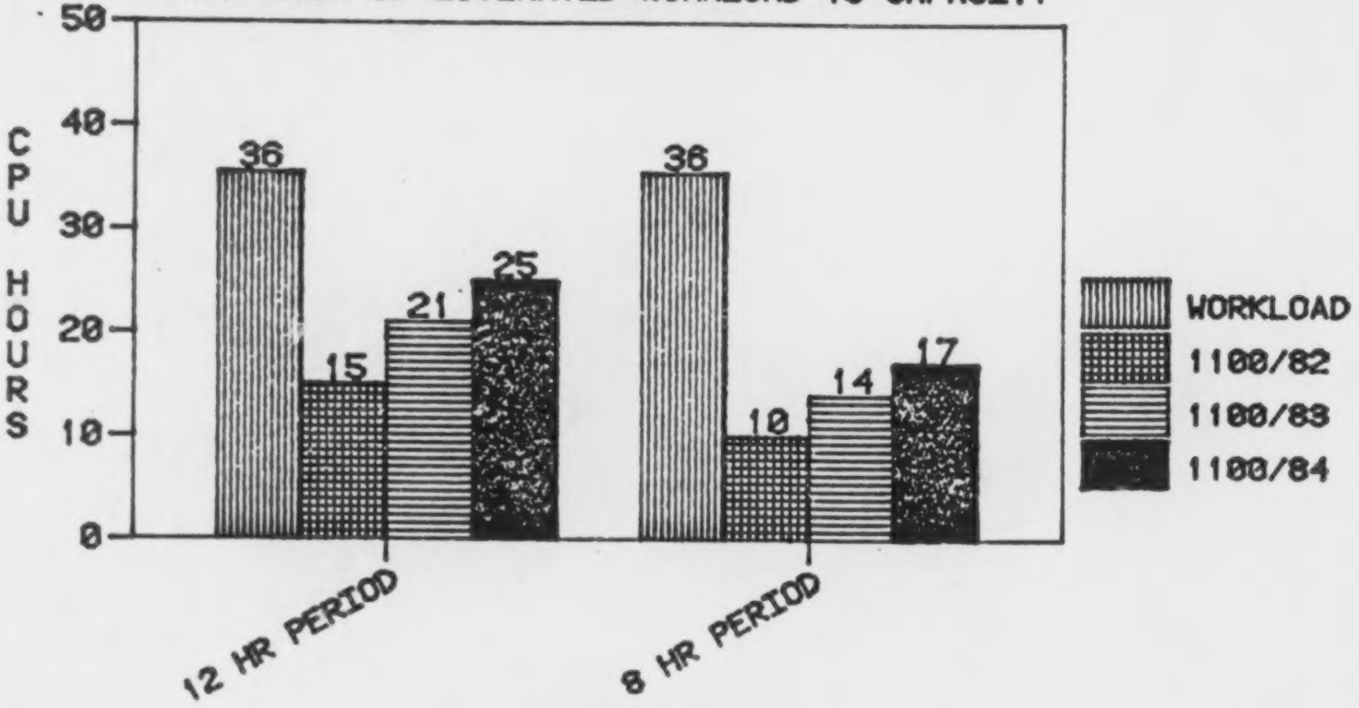


FIGURE V-2

D. Other Considerations

Approximately 35% of the total estimated nightly batch workload for Phase III and 60% for Phase IV are attributable to GMF programs (see Table V-1). Furthermore, since the Phase IV estimate for the GMF programs are based on timings for processing fairly simple tax documents, the workload projection may be significantly understated. The GMF application programs will be the major contributing factor to the system capacity required for Phase IV nightly batch processing. This substantiates the general concern over the viability of the design and performance of the GMF programs. There is a need to streamline the individual programs in the GMF system.

VI. CONCLUSIONS

The current dual-processor configuration will not provide enough capacity to process the nightly batch workload for Phase III at MSC, let alone permit a reserve capacity of 15%.

The planned upgrade configuration of a three-processor system (1100/83) is not capable of providing sufficient capacity to process the Phase IV workload. In fact, even a single four-processor system (1100/84) is incapable of providing adequate capacity.

The size of the Phase IV workload requirement indicates the need to consider re-configuring the SCRS hardware into split systems. This would permit one system to be dedicated to Nightly Batch Processing over a 24-hour period while the other would alternate between IDRS real time processing and nightly batch processing.

For a split configuration consisting of two dual-processor systems the combined available capacity would be 39.7 hours which would cover the Phase IV workload but would leave only a 10% reserve capacity for workload fluctuations. On the other hand, a split configuration consisting of a three-processor system which would be alternated between IDRS real time and Nightly Batch Processing and a dual-processor system dedicated to Nightly Batch Processing would result in a combined available capacity of 43.5 hours. This would permit a 20% reserve capacity for workload fluctuations.

The use of split configurations would introduce other benefits as well as costs. On the benefit side there would be such things hardware redundancy and specific system software fine tuning. On the cost side there would be increased lease and maintenance fees, as well as increased system software maintenance efforts.

Finally, to find total capacity needs, it will be necessary to determine the total workload (i.e., an entire week's worth of processing) for the SCRS. This will permit the identification of any bottlenecks, other than nightly batch processing.

VII. RECOMMENDATIONS

This section of the report addresses only the critical issues and provides recommendations if the planned workload is to be satisfactorily processed. Also, section VIII of this report reiterates these recommendations in the form of an action plan.

A. Implement Program Improvements

There is a need to emphasize performance considerations in the design of application programs prior to their introduction into the production environment. Also, there is a continuing need for the optimization of application programs after they are in production. For every SCRS application program, the individual programmer should include performance optimization as an integral part of the program development process. Several automated tools (e.g., FLAP and CIP) are available to assist in their optimization efforts. The UNIVAC Software Support team and the ADP Standards Branch should jointly formulate guidelines for program optimization. They should be understandable and readily usable by all SCRS programmers.

A design review team composed of several specialists from the Software and Hardware Divisions should be established to periodically analyze the overall construction of the major SCRS application programs (high resource users such as GMF07, GMF15, and MAG05). This team should be concerned with performance considerations beyond the level of line-by-line source program code optimization.

It should be noted that the MAG05 program has recently been modified based upon a program optimization analysis. The results were very encouraging. The process of recommending and implementing the improvements was a concerted effort by the application program team, the UNIVAC Software Support team, the ADP Standards Branch, and UNIVAC employees. The people involved are to be congratulated for their efforts.

B. Study Weekend and Real Time Processing and Update Nightly Batch Forecast

There is a need for the Study Team to update the nightly batch forecasts as production data becomes available. In addition, the weekend and real time workload must be forecasted in order to size the total SCRS system workload. As the SCRS Transition Plan progresses it will become increasingly important to be able to categorize production workload components (runs) with consistency. To accomplish this Computer Services must promptly implement run naming conventions which are compatible with both the UNIVAC operating system and Service requirements. It will also be necessary to implement Master File Log Accounting for IDRS Real Time (TIP) transactions and IDRS Real time Utiliza-with both the UNIVAC operating system and Service requirements. It will also be necessary to implement Master File Log Accounting for IDRS Real Time (TIP) transactions and IDRS Real time Utiliza-tion and Response Time reporting.

1. Update Projected Workload

The Study Team recognizes that some portions of the data used in this report are what could best be described as "soft." This is due, in part, to the identification of many NBPS representative runs to a PV run for CPU timings. Under ideal conditions each NBPS run would have been identified to a "real" run. In addition, many of the real runs reflect the processing of simple tax documents. Also, the "packaging" of systems into runs was the best guess of the way that system might look when completed.

The projected user CPU time requirement should be updated as additional "real" data becomes available. This data will become available as a result of:

- Programmer or SAT run tests,

- Initiation of new production runs, and

- Updates of production runs to process more complex tax documents.

In addition, the NBPS should be updated as the packaging of the various systems is completed.

2. Study Weekend Batch Processing

Weekend batch processing should be the next area of priority for workload projection by the Study Team. The alternative designs for weekend batch processing, which are now being considered, should be reviewed and the workload requirements subsequently projected.

3. Real Time Processing

Real time processing should be the second priority for workload projection by the Study Team. "Real" data from Real time application programs (RTAP) should be used in these projections. At present, there is no practical method to determine what resources each RTAP utilizes. These projections should help indicate whether or not batch processing can be adequately processed in the background with real time.

C. Improve Benchmark Methodology

In order to be more useful in future equipment acquisitions (whether for equipment additions in response to changing workload requirements or complete system replacements) it is important to know both the positive and the negative features of the SCRS benchmark. Such questions as, "are the component programs representative?" and "are the timing requirements realistic?" should be investigated as part of a post-benchmark analysis.

As a result of this analysis a methodology should be established to identify, on an on-going basis, programs representative of the various SCRS workloads, and criteria for estimating workload timings which are independent of vendor equipment.

D. Alternatives for System Enhancements

This part of the recommendations section lists alternative to alleviate the projected lack of adequate capacity to process the SCRS workload. The benefits, costs, and disadvantages of each alternative should be explored and a decision reached as to the course of action.

1. Adjust Equipment Installation Schedule

The current SCRS equipment installation plan should be altered so that four CPU's will be installed and functioning at the inception of Phase IV of the Transition Plan. For MSC, three CPU's should be in place at the inception of Phase III.

2. Acquire a Third CPU and Rerun the FV

As soon as possible, order and install a third CPU at a service center where Phase I has not been initiated. Require the vendor to rerun the FV for the out-years. The prime candidate for the third CPU is Cincinnati since it is the last site to start production (May of this year). The benefits that can accrue are:

- Financial credit to the Service should the FV demand a fourth CPU. If the fourth CPU were to be provided by the vendor, vs the Service paying for the equipment, the estimated cost savings are $140,000 per month (ten service centers).

- Additional CPU capacity for a site in need. The third CPU would likely be transferred to NCC or Fresno.

- A more accurate projection of the CPU capacity of a three-processor system. This study assumed (based on UNIVAC literature) that a third processor would add 38% capacity to a dual-processor complex. This assumption could be either significantly high or low, depending on IRS workload, resulting in a potentially serious error in the planned/projected acquisition of UNIVAC equipment.

3. Consider Split Systems

Computer Services should investigate the feasibility of eventually upgrading to a split system configuration consisting of an 1100/82 and an 1100/83. Splitting the systems would be advantageous in accommodating the nightly batch workload. During the day, one split system could process real time with the other system processing batch work (e.g., GMF processing). It will first be necessary to determine whether a split system can adequately process the Real time workload. After Real time has been modeled, the possibility of upgrading to split systems should be thoroughly evaluated.

4. Consider Upgrading to an 1100/90 System

Computer Services should investigate the technical and contractual feasibility of upgrading the SCRS hardware to the 1100/90 computer system. The relative power ratings of UNIVAC's new 1100/90 system indicate they could provide more than sufficient capacity to process our total workload. Acquisition of an 1100/90 would provide the Service with a totally compatible system and would not require changes to our programs or run control statements. The staff resources costs in converting would be, at worse, minimal.

5. Consider Replacement of SCRS

The total replacement of SCRS is not one which any of us would look forward to; however, Computer Services should investigate this possibility. Given the current state of projected workload and the capacity shortfall it is one which can not be ignored. Should the total system require replacement, we must acquire a fully ANSI COBOL compatible system. Even though this would reduce conversion costs, it will not entirely eliminate them. The major areas that would require special handling are those programs which interface with DMS-1100 (the data base management system) and TIP (Transaction Interface Package) for IDRS Real time transactions.

There are certain procurement rules which might speed up this acquisition, should it become necessary. If the Service can adequately justify that an exigency exists, a procurement could be issued for a specific make and model to process the workload. This topic should be discussed with management as soon as possible to formulate contingency plans.

VIII. ACTION PLAN FOR THE SCRS USAGE STUDY RECOMMENDATIONS

ITEM	TASK	AREA
1.	Establish guidelines for program optimization	D:C:S:S D:C:H:S

ITEM	TASK	AREA
2.	Optimize program design for: GMF01, GMF07, GMF15	D:C:H:P D:C:H:S D:C:S:S D:C:S:I D:C:S:B
3.	Establish Design Review Team	D:C:S D:C:M D:C:H
4.	Update Nightly Batch Processing Workload Estimates after implementation of Phase II B	D:C:H:P D:C:H:ST D:C:S D:C:M
5.	Initiate Weekend Batch Processing Study after completion of design phase	D:C:H:P D:C:S:D D:C:S:S D:C:M
6.	Implement changes to EXEC operating system for Real time Master Log Accounting	D:C:S:S
7.	Finalize IDRS Real Time Utilization and Response Time reporting	D:C:S:D D:C:S:S D:C:H:ST
8.	Initiate Real Time Study after completion of Action Items 6 and 7	D:C:H:P D:C:S:S D:C:S:D
9.	Develop/Improve Benchmark Methodology	D:C:H:E D:C:S D:C:H:S D:C:M
10.	Adjust SCRS Equipment Installation Schedule	D:C:H:E
11.	Rerun SCRS PV with third CPU	D:C:H:E D:C:S:S D:C:H:S D:C:H:P
12.	Evaluate Feasibility of Split Systems	D:C:H:E D:C:S D:C:M D:C:H:P
13.	Evaluate Feasibility of Upgrade to 1100/90	D:C:H D:C:S D:C:M
14.	Investigate Replacement of SCRS	D:C:H D:C:S D:C:M

Appendix A

STUDY PLAN

SERVICE CENTER REPLACEMENT SYSTEM (SCRS) USAGE* STUDY

*UNDERSTANDING SYSTEMS APPLICATIONS GROWTH ENVIRONMENT

1. Objectives

The primary objective of the USAGE study will be to determine if Univac resource availability is adequate to process the Service Center Replacement System (SCRS) applications through Phase IV, including new major applications added during this time frame. In addition, recommendations will be made concerning plans required to meet the forecasted applications' needs. Recommendations will also be made concerning capacity planning to ensure plan flexibility to cover forecasting deficiencies. The study will be completed by mid-November laying out the initial framework for the acquisition of additional equipment, if required, to support the SCRS applications.

2. Problem

In late July of this year, a concern was expressed by the Director, Software Division regarding the resource capacity of the Univac 1100 Computer System as SCRS Phases III and IV come closer to implementation. The Director, Hardware Division agreed with the concerns expressed regarding adequate computer resource availability for SCRS applications and with a recommendation to form a joint study group.

3. Background

Until SCRS, all service center applications were performed on two systems, CDC and Honeywell. With the full implementation of SCRS, all service center applications will be run on one system, Univac 1100.

The total ramifications of the new single system have yet to be identified. For example, real-time and batch applications will be processed simultaneously. The Service is also committed to a 16-hour real-time availability starting in 1985.

As applications for the SCRS are added to the Univac 1100 (Phases I thru IV), adequate computer resources must be available to process them. The majority of the workload will be added during Phases III and IV. The study group will concentrate on attempting to determine the total SCRS workload for Phases III and IV, including planned major additions, and the Univac 1100 resource capacity for the projected configuration at each phase.

The ADP Performance Evaluation Staff will chair the study group and will act in the capacity of a steering committee.

4. Study Participants

	Personnel	Symbols
Team Leader	R. Switala	D:C:H:P
Asst. Team Leader	D. Jacomet	D:C:H:P
Univac Software Support	A. Samms	D:C:S:S
DMS-1100 Data Base Group	P. McCloughlin E-Kay Leu	Univac D:C:S:D
Generalized Mainline Framework	C. Hardy	D:C:S
IDRS/TIF Processing	J. Burks	D:C:S:D
SCRS Equipment Management (Part-time)	D. Southerland	D:C:H:E
Technical Document Development	J. White	D:C:H:P

5. Major Tasks

a. Determine the estimated workload that will be placed on the Univac system by phase. Potential sources for these estimates include:

- SCRS Sizing data (volumes, timings, etc.) developed for the Performance Validation (PV),
- Programmer run testing results,
- SAT runs and tests, and
- Workload estimates developed by the

applications development areas (e.g., DMS-1100 data base group).

Estimates will include any planned, but not previously sized, potentially major application additions or design changes (e.g., data base design methodology) to SCRS (e.g., on-line error correction processing). Also, other planned/potential changes such as operating system or data management software revisions will be considered. A Univac modeling system may be used to predict the SCRS workload for Phases III and IV.

b. Determine the processing capacity of the Univac equipment for each of the currently planned configurations by phase. The team may compare the sizing data used for the PV programs to the actual resources used in the rerun of the PV. A base may then be established to indicate a relationship between workload and capacity.

c. Compare the estimated resources required (a. above) to the processing capacity of the Univac equipment (b. above) by phase. Determine whether or not a resource deficiency might exist in one or more of the phases.

d. Identify potential system "choke" points or bottlenecks that might occur based on the research conducted in estimating the SCRS workload and processing capacity of the system. Establish a list of performance standards or warning signs that can be used to signal that bottlenecks in the system are about to occur.

e. Determine the additional equipment resources required or potential design changes necessary, if any, to adequately process each of the SCRS phases.

f. Recommend for management consideration a plan for acquiring any additional equipment resources required to accommodate each of the SCRS phases, if required.

g. Establish procedures for reporting planned application or systems software changes to the CPE staff to permit an assessment of their impact on the Univac equipment resources. (This is an optional task that should be accomplished if time permits).

h. Develop a plan for measuring, monitoring, and performance timing techniques as actual programs are loaded on the system (Optional-time permitting).

6. **Approvals:**

Initiator: 12-1-82
Robert Switala, Team Leader

Concur:
Richard Oakes
Chief, ADP Performance Evaluation Staff

Richard Marsh
Richard Marsh
Director, Hardware Division

14 [illegible] 82
Daniel Capozzoli
Director, Software Division

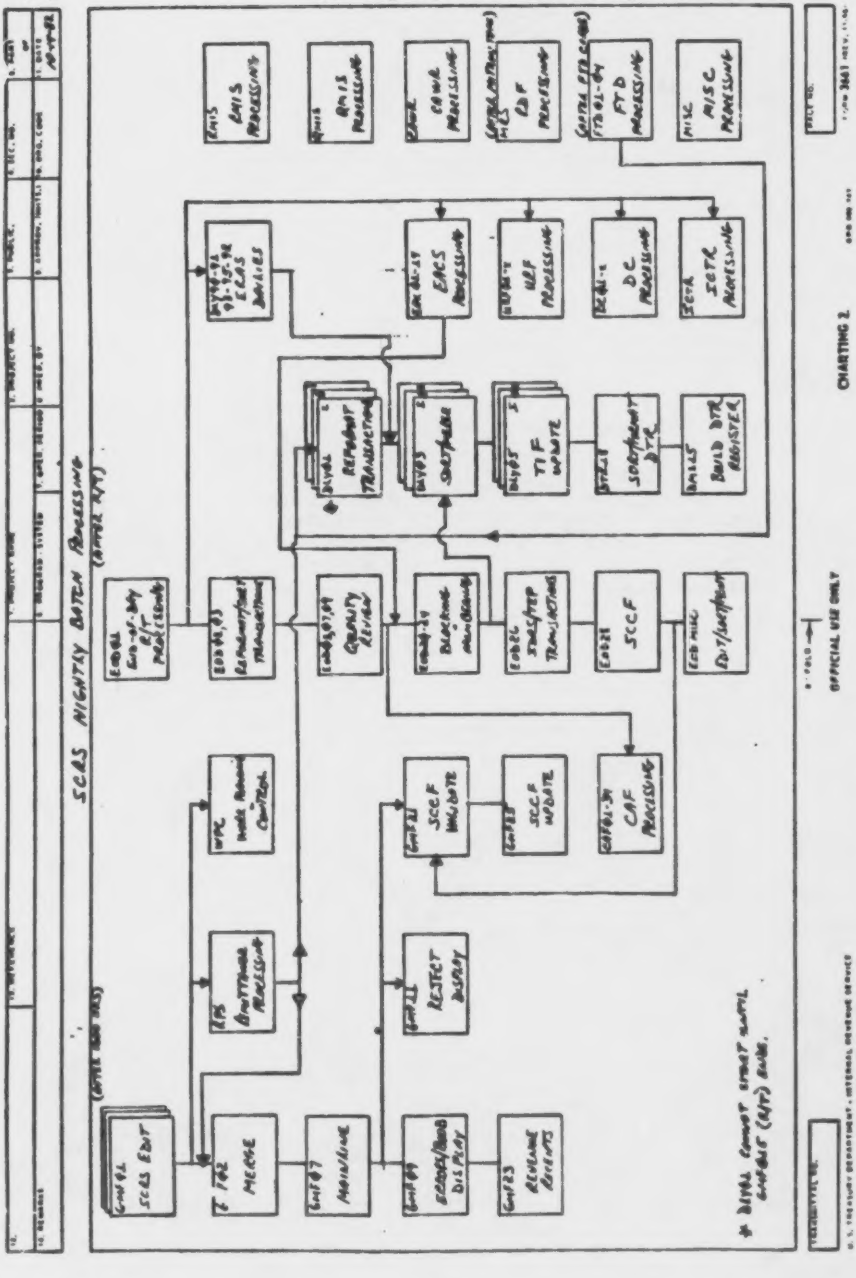
Appendix B.

Personnel Contacted During the SCRS Usage Study

- Bob Tait
- Roger Howard
- Jim Giannamore
- John Hefferan
- John Fay
- Jerry Evans
- C. V. Tondreau
- Bill Pollack
- Jim Flaherty
- Mark Loftin
- Stam Mastorakis
- Ken Bonnet
- Hal Place
- Clegg Holliday
- Jerry Rosh
- Jack Greenfield
- Al Parrow
- Joyce Dorula
- Charley Kinzie
- George Watona
- Chip King
- Rudy Frank
- Larry DuVall
- Jim Nix
- Frank Gouveia
- Alan Field
- Jeanne McCollough
- Tom Lucas
- Joyce Kilmer
- Mike Miller
- Doug Southerland
- Charlie Owen
- Steve Ballister
- Dave Etling
- Melba Hye-Knudsen
- Elaine Smith
- Ernie DeMarco
- Anita Bartol
- Darrel Riffe
- Ed St. Jean
- Stan Remen
- Larry DeVille
- Rocky Ragano
- Rick Miller
- Ernie Ross
- Mick Breakall
- Jay Pyle
- Bob Grossman
- Bob Henry
- Chuck Levine

Appendix C

SCRS Nightly Batch Processing Schematic


SCRS NIGHTLY BATCH PROCESSING
(AFTER 1800 HRS)
(AFTER R/T)
GMF01 SCRS EDIT
E 102 MERGE
RPS REMITTANCE PROCESSING
WPC WORK PLANNING & CONTROL
GMF07 MAINLINE
GMF09 ERRORS/BOB DISPLAY
GMF11 REJECT DISPLAY
GMF21 SCCF VALIDATE
GMF23 REVENUE RECEIPTS
GMF25 SCCF UPDATE
CAF01-31 CAF PROCESSING
EOD01 END-OF-DAY R/T PROCESSING
EOD02,03 REFORMAT/SORT TRANSACTIONS
EOD05,07,09 QUALITY REVIEW
EOD10-24 BLOCKING & UNBLOCKING
EOD26 IDRS/TEP TRANSACTIONS
EOD28 SCCF
EOD MISC EDIT/SORT/PRINT
DIY02 REFORMAT TRANSACTION
DIY03 SORT/MERGE
DIY05 TIF UPDATE
STR01 SORT/FORMAT DTR
DM115 BUILD DTR REGISTER
DIY90-91 93-95-98 ERAS DAILIES
EAC 01-19 EACS PROCESSING
URF PROCESSING
DC01-2 DC PROCESSING
ICTR ICTR PROCESSING
RMIS RMIS PROCESSING
QMIS QMIS PROCESSING
CAWR CAWR PROCESSING
(AFTER MICROFILM TAPE)
MCS CDF PROCESSING
(AFTER FTD CARDS)
FTD01-04 FTD PROCESSING
MISC MISC PROCESSING
* DIY02 CANNOT START UNTIL GMF0__ (R/T) ENDS.
10-15-82
OFFICIAL USE ONLY
CHARTING 2
U. S. TREASURY DEPARTMENT - INTERNAL REVENUE SERVICE
FORM 3661

Appendix C

Nightly Batch Processing Worksheets

NBPS RUN ID	VOLUME PEAK DAY PEAK WEEK	EQUATED RUN ID	PV=BNCHMK PR=SCRS ST=SAT	CPU SECS PER INP	TOTAL CPU TIME
GMF01.PH3	153960	GMF01	ST	.04594	1.96470067
GMF02.PH3	153960	GMF02	ST	.00186	.079546
GMF07.PH3	153960	GMF07	ST	.0133	.568796667
GMF09.PH3	24292	GMF09	ST	.00553	.037315211
GMF11.PH3	199	GMF09	ST	.00553	.000305686
GMF21.PH3	8357	GMF21	ST	.0050964	.011830726
GMF23.PH3	2106	ID4B	PV	.00483398	.002827878
GMF25.PH3	8357	ID3	PV	.02066637	.047974682
TOTAL.PH3					2.71329752
**********	**********	**********	**********	**********	**********
GMF01.PH4	665988	GMF01	ST	.04594	8.49874687
GMF02.PH4	665988	GMF02	ST	.00186	.3440938
GMF07.PH4	665988	GMF07	ST	.0133	2.46045567
GMF09.PH4	111848	GMF09	ST	.00553	.171810956
GMF11.PH4	2681	GMF09	ST	.00553	.004118314
GMF21.PH4	29724	GMF21	ST	.0050964	.042079276
GMF23.PH4	11068	ID4B	PV	.00483398	.014861803
GMF25.PH4	29724	ID3	PV	.02066637	.170635328
TOTAL.PH4					11.7068020
GMF15.PH3	129490	GMF15	ST	.05665	2.03766903
GMF15.PH4	551358	GMF15	ST	.05665	8.67623075
**********	**********	**********	**********	**********	**********
FTD01.02.	60869	GMF07	ST	.0133	.224877139
FTD09....	2879	GMF09	ST	.00553	.004422464
FTD03....	13428	GMF21+ID3	ST+PV	.02576277	.096095132
FTD04....	57990	GMF15	ST	.05665	.912537083
FTD.TOT..					1.23793182

NBPS RUN ID	SOURCE RUN ID (FOR VOL)	VOLUME PEAK DAY PEEK WEEK	EQUATED RUN ID	PV=BNCHMK PR=PROD ST=SAT	CPU SECS PER INP	TOTAL CPU TIME
DLY01....	761-01	616062	ID1	PV	.00047694	.081617947
DLY03....	761-03	122537	ID2A+B	PV	.00125605	.042753500
DLY05....	761-05	122537	ID3	PV	.02066637	.703443050
DLY11....	761-11	51307	ID1	PV	.00047694	.006797322
DLY13....	761-13	30922	ID2A+B	PV	.00125065	.010742389
DLY15....	761-15	30922	ID3	PV	.02066637	.177512637
DLY21....	761-21	1000	ID1	PV	.00047694	.000132483
DLY23....	761-23	316	ID2A+B	PV	.00125065	.000109779
DLY25....	761-25	316	ID3	PV	.02066637	.001814048

NBPS RUN ID	SOURCE RUN ID (FOR VOL)	VOLUME PEAK DAY PEAK WEEK	EQUATED RUN ID	PV=BNCHMK PR=SCRS ST=SAT	CPU SECS PER INP	TOTAL CPU TIME
DLY90....		1354	DLY90	PR	.00106056	.000398888
DLY91....		1354	DLY91	PR	.00192097	.000722498
DLY93....		747	DLY93	PR	.00230522	.000478333
DLY95....		86	DLY94	PR	.00323256	.000077222
DLY.TOT..						1.02660010
DOC01.AM.		301		PR	.00307463	.000257073
DOC01.PM.		2280		PR	.003052	.001932933
DOC02....		268		PR	.00414287	.000308414
DOC.TOT..						.002498420
DTR01.D..		742	ID4A+B	PV	.00125065	.000257773
DTR03.D..		742		PR	.00165662	.000341448
DTR01.W..	762-37	3420	ID4A+B	PV	.00125065	.001188118
DTR03.W..		3420		PR	.001677	.00159315
DMS15.D..		742		PR	.00177258	.000365348
DMS15.W..		3420		PR	.00178134	.001692273
DTR.TOT..						.005438110
EAX01....	767-83,84	373	EAX01	ST	.0046248	.000479181
EAX03....		373	EAX03	ST	.01540108	.001595723
EAX05....		373	EAX05	ST	.01280729	.001326978
EAX07....		29	EAX07	ST	.00514925	.000041480
EAX10....		373	EAX10	ST	.01507843	.001562293
EAX14....		373	EAX14	ST	.00655288	.000678951
EAX.TOT..						.005684605
EOD01....	762-41	42734	EOD01	ST	.00075132	.008918586
EOD02....	762-02	23657	ID1	PV	.00047694	.003134158
EOD03....	762-03	23657	ID2B	PV	.00063926	.004200826
EOD05....	762-05	11828	ID4B	PV	.00483398	.015882310
EOD07....	762-07	35485	ID3PT1+2/2	PV	.02066637	.203707261
EOD09....	762-09	263	ID4A+B	PV	.00563715	.000411825
EOD20....	762-20	26398	ID2B+ID1	PV	.0011162	.008184847
EOD24....	762-24	26398	ID3PT1+2/2	PV	.02066637	.151541899
EOD25....	762-25	25415	ID2A+B	PV	.00125065	.008829242
EOD26....	762-26	25415	IP3	PV	.02088938	.147473220
EOD28....	762-28	1221	ID4B	PV	.00483398	.001639525
EOD32....	762-32	16183	EOD01	ST	.00047694	.002143978
EOD33....	762-33	33	ID4A+B	PV	.00563715	.000051674
EOD34....	762-34	16183	ID4B	PV	.00483398	.021730083
EOD36....	762-36	1132	ID4A+B	PV	.00563715	.001772571
EOD40....	762-40	647	ID4A+B	PV	.00563715	.001013121
EOD.TOT..						.580635124
TRS01(D).		28970	TRS01	PR	.00465756	.037480420
TRS01(T).		77726	TRS01	PR	.00518872	.112027347
TRS03(T).		528	TRS03	PR	.00113985	.000167178
TRS05(T).		77726	TRS05	PR	.00797998	.172292202
TRS05(D).		28970	TRS05	PR	.01074286	.086450182
TRS07(D).		28970	TRS07	PR	.02320919	.186769510
(NEW RDF)		103241		PR		0
TRS08....		103241	TRS08	PR	.0032107	.092076633
TRS.TOT..						.687263471
URF12....	763-12	3240	ID3	PV	.02066637	.018599733
URF18....	763-18	111	ID4A+B	PV	.00563715	.000173812
URF20....	763-20	12	ID3	PV	.02066637	.000068888
URF.TOT..						.018842433

NBPS RUN ID	VOLUME PEAK DAY PEAK WEEK	EQUATED RUN ID	PV=BNCHMK PR=SCRS ST=SAT	CPU SECS PER INP	TOTAL CPU TIME
ERS.01..	60000	ID4B	PV	.00483398	.080566333
ERS.03..	50000	ID1	PV	.00047694	.006624167
ERS.05..	8000	ID4B	PV	.00483398	.010742178
ERS.07..	58000	ID4B	PV	.00483398	.077880789
ERS.10..	433000	ID1	PV	.00047694	.057365283
ERS.11..	60000	ID2B	PV	.00054609	.0091015
ERS.13..	60000	ID4A	PV	.00080317	.013386167
ERS.15..	1500	ID4A	PV	.00080317	.000334654
ERS.17..	4000	ID2B	PV	.00054609	.000606767
ERS.19..	8000	ID1	PV	.00047694	.001059867
ERS.20..	133000	ID4A	PV	.00080317	.029672669
ERS.21..	60000	ID4B	PV	.00483398	.080566333
ERS.23..	60000	ID4B	PV	.00483398	.080566333
ERS.25..	1500	ID4B	PV	.00483398	.002014158
ERS.27..	4000	ID2B	PV	.00054609	.000606767
ERS.28..	4000	ID2B	PV	.00054609	.000606767
ERS.29..	5000	ID4A	PV	.00080317	.001115514
ERS.30..	133000	ID4B	PV	.00483398	.178588706
ERS.31..	60000	ID4A	PV	.00080317	.013386167
ERS.37..	50000	ID4B	PV	.00483398	.067138611
ERS.39..	5000	ID4B	PV	.00483398	.006713861
ERS.41..	60000	ID4B	PV	.00483398	.080566333
ERS.47..	50000	ID4A	PV	.00080317	.011155139
ERS.48..	8000	ID4B	PV	.00483398	.010742178
ERS.54..	200	ID4B	PV	.00483398	.000268554
ERS.56..	58000	ID4B	PV	.00483398	.077880789
ERS.57..	50000	ID4B	PV	.00483398	.067138611
ERS.58..	8000	ID4A	PV	.00080317	.001784822
ERS.68..	8000	ID4B	PV	.00483398	.010742178
ERS.TOT.					.978922195
MAG.05..	428700		ST	.0135416	1.61257887

TAB B - Daily Batch Processing Concerns/Projections

As a result of the daily real time projections detailed in Tab A, and continued concerns regarding the tighly sized system, the SCRS USAGE Study (Tab B 1) was inaugurated in October 1982 to determine if resources were adequate to process SCRS applications through Phase IV. Again, lacking empirical data since the programs had not been written, the study team selected the processes for which the most "real" data was available for modeling purposes, the nightly batch processing. The models projected that the increased workload of Phase IV would exceed the available nightly (daily) batch processing capacity of the SCRS system.

Several precautionary recommendations were developed by the study team preliminary to actual piloting of SCRS programs and testing with live data. Some of these recommendations are addressed in the March 22, 1983, memorandum following Tab B 2 and the February 6, 1984, memorandum following Tab B 3.

In response to the suggestion that application program optimization be emphasized, the Tab B 2 memorandum discusses the need for identifying and resolving the major bottlenecks in the GMF programs. This task would be accomplished by a GMF design review team consisting of Hardware and Software Division employees. The memorandum following Tab B 3 goes on to suggest that program GMF01 be offloaded from the SCRS to the (Distributed Input System (DIS) by January 1985. In fact, major segments of that program were offloaded to DIS.

Also included in the USAGE Study report was a suggestion that a third CPU be installed, followed by a rerun of the PV. In March 1983, the third CPU was installed in the Cincinnati Service Center (CSC) and a third post-award benchmark was conducted to ensure that the projected workload for 1987 could be run on the configuration established by Sperry (which included only three CPUs). Although Sperry passed this benchmark, continued capacity concerns resulted in IRS accelerating installation of the third CPUs in other centers from 1985 to early 1984.

The study team recognized that lacking empirical data, the projections contained in the SCRS USAGE Study needed to be validated as "real/live" data became available and programs were brought on-line. Projections and recommendations related to weekend batch processing are presented in the memoranda following Tab C.

(New Reprint Follows)

22 MAR 1983

Acting Assistant Commissioner (Computer Services) D:C

(SIGNED) RICHARD W. MARSH

Director, Hardware Division D:C:H

Final Response to Questions of February 18, 1983, on the SCRS USAGE Study Report

In my March 7, 1983, interim response I covered the subject of the capabilities of the UNIVAC 1100/90 computer system and the possible contractual requirements/limitations which could prevent the Service from obtaining this equipment.

After checking with Fred Martin in Contracting it appears that our interim response was accurate. Unless UNIVAC does not pass the forthcoming Performance Validation (PV) test now scheduled for April 15 to 22 at CSC, we will not be able to procure an 1100/90 through the existing contract. Should UNIVAC fail to pass the PV, there is no guarantee that they will offer the 1100/90 as a remedy. They would only need to offer sufficient computing power to pass the PV timing requirements which most likely could be accomplished with an 1100/64 system.

Should UNIVAC offer IRS an 1100/90 system, it would have to be for a total price equal to or less than our cost under the current contract. This could be a factor which might discourage UNIVAC from making such an offer since it would most likely result in lower profit to them.

Using the latest GSA price list we compared an 1100/92 with four megawords of memory to an 1100/84 with four megawords. Based on monthly lease and maintenance charges the 1100/92 costs 5.6% less than an 1100/84. (Not included in the cost comparison is site preparation cost that would be incurred because the 1100/92 is water cooled). To put this in better perspective an 1100/84 costs 49.6% less under the SCRS contract than the GSA price list.

With regard to your questions concerning the design of the GMF, we are all quite concerned about the excessive computer time required to execute two of its major runs. The cause of these excessive time requirements has not yet been determined; however, preliminary indications point to conflicts between run design and the efficiency characteristics of UNIVAC-specific COBOL and operating system software. The overall system design of the GMF represents a coherent, functionally integrated, structured application. The system is operationally simpler than the Honeywell systems being replaced, it incorporates standardized processes and conventions across master file systems (all master file systems were separate on the Honeywell), and it is proving itself to be far more flexible than the Honeywell systems (e.g., incorporation of the planned On-Line Error Resolution System (ERS)).

From a practical standpoint, Computer Services should continue with GMF as currently designed. A total logical redesign effort would commit significant levels of staff resources and would seriously jeopardize our ability to complete the SCRS conversion process on schedule. The present GMF conversion should continue; however, staff resources must be devoted to a design review effort. Since the present GMF design is functionally accurate (i.e., it accomplishes pipeline processing correctly), the design review effort should concentrate on identifying major bottlenecks attributable to design features and program coding techniques which contribute to the excessive use of computer resources. Identifying these bottlenecks and finding solutions to them will directly improve GMF run times and will indirectly improve the overall SCRS conversion.

It's important to remember that the GMF represents a complete redesign in mainline processing, not just a conversion of Honeywell assembly language programs to COBOL. GMF combines existing processing from the Honeywell 4020 and 2050A computers with new features. These new features represent enhancements for the service center staff working in the pipeline environment. We should expect GMF to require more CPU resources because of the new features. We should also expect to achieve significant reductions in workload requirements from a shakedown of the GMF design as it relates to UNIVAC-COBOL efficiencies.

Hardware and Software Divisions are in the process of putting together a design review team for GMF. As a first step in this effort, the team is looking at the three major GMF runs to identify performance bottlenecks and to determine whether or not they are due to program design features or to particular COBOL coding techniques. Because our application programmers have a low level of experience in using COBOL, we anticipate significant program performance improvements from this effort. These improvements can later be applied to other applications and incorporated into efficiency guidelines.

In response to your question concerning the initial benchmark considerations and the events that lead to the conclusions in the SCRS USAGE Study report, the following comments are offered.

In sizing the benchmark, 12 hours per week day were allotted for IDRS real time processing and four hours per week day were allotted for preventive maintenance (PM). When Computer Services made the commitment to extend the daily IDRS real time processing period from 12 to 16 hours, the four-hour PM period in the benchmark sizing was effectively eliminated. This means we will have considerably less flexibility in accomplishing our Nightly Batch Processing work. Instead of having eight to twelve hours of available time, now the maximum available time will be eight hours. This results in a 33% reduction in available capacity irrespective of the accuracy of the sizing effort for the eight-hour batch processing period.

It is important to note that the programs which were used for the benchmark were built to reflect both the work and processes performed on the Honeywell and CDC computer systems. Because the GMF had not at that time been designed, the component benchmark programs were very similar to the mainline tax programs on the Honeywell system. Compared to its benchmark model, the current GMF application is more complex. This is not offered as a criticism of either the GMF design or the benchmark, rather the GMF simply had not been designed when the benchmark models were being constructed. In fact, the GMF is still in the process of being constructed; consequently, it has yet to be subjected to a complete shakedown for identifying design or programming improvements.

In the USACE report it was assumed that any capacity improvements attributable to the shakedown process would be offset by other increases in capacity requirements. We do expect these increases because during the USACE study the GMF CPU requirements were estimated based upon processing fairly simple IRP documents. The CPU requirements for the more complex processing of Form 1040 information should increase; but it remains to be seen whether these two factors will competely offset each other.

The SCRS procurement was designed to provide sufficient computer capacity to process existing applications written in ANSI COBOL using structured techniques and expansions to those applications due to changes in the tax law. To cover growth in these two areas, an eight percent factor was used. However, the capacity requirements for future applications intended to improve management control or overall Service effectiveness (i.e., internally-generated requests) were not included in the SCRS sizing.

Since the award of the SCRS contract, the freeze on implementing internally-generated user requests for data processing has been lifted. Consequently, we have a significant backlog of work requests some of which may move into production status prior to the completion of the SCRS transition. This could result in an even more severe capacity shortage than [illegible]

The USACE Study addresses this situation in a relatively minor way by including the batch portion of ERS in Phase IV. The USACE report shows ERS accounting for three and one-half percent of the 1983 workload for the major known applications. While this by itself is not significant, the impact on other new applications is unknown.

In the execution of the benchmark the Service left it up to each vendor to determine both the sequence in which the programs would be executed and the number of programs that would be executed concurrently. In other words, the execution of the benchmark did not attempt to reflect the run-to-run interdependencies that exist in our actual batch environment. This was considered by the designers of the benchmark, but ultimately viewed as arbitrary and therefore not a supportable requirement of the RFP.

UNIVAC executed the benchmark with an average of six runs active at any point in time with a CPU utilization of just under 100%. In effect, UNIVAC was able to fine tune the benchmark and thus to bid a base system less powerful than envisioned in our sizing efforts. Realistically, we cannot expect to run a CPU consistently at a saturated level, regardless of run-to-run dependencies. This is a very important consideration which should be included in future ADP procurements.

(New Reprint of Preceeding 3/22/83 Memorandum)

Acting Assistant Commissioner (Computer Services) D:C

irector, Hardware Division D:C:H

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Director, Software Division D:C:S

(SIGNED) RICHARD W. MARSH
Director, Hardware Division D:C:H

Update to SCRS USAGE Study

This memorandum confirms the information presented to you and your staff by the CPE Staff in several meetings last November and December. In those meetings the central topic was the revised capacity requirement for the GMF application on SCRS. One proposal explored by representatives of Software Division, the DIS Project Office, and the CPE Staff was the transfer of GMF01 to the DIS system by January 1985. We supported that proposal then, and continue to support it as a realistic alternative for relieving a potentially severe capacity shortage on the SCRS system.

In November 1983 the CPE Staff visited Fresno Service Center to obtain run execution timing data for SCRS application runs in production status. This memorandum presents the results of that effort as it relates to the Nightly Batch Processing covered in the SCRS USAGE Study report of February 1983. We have not adjusted the original peak day record volumes used for calculating CPU resource requirements, nor have we made any adjustments for batch runs originally represented by benchmark timings but at the time of our Fresno visitation were in SAT testing. In the near future we will attempt to update the record volume figures to reflect 1983 peak cycle processing at Memphis Service Center; however, we will continue to use only timings obtained from production program executions.

In general, the non-GMF runs showed only a slight change in CPU time over the original USAGE timings. This is primarily due to relatively few of these runs moving into productions status. For GMF01 there was a substantial increase in total CPU time requirement. On the other hand, there was a substantial decrease in both per-record time and total CPU time requirement for GMF15. Most of the other GMF runs showed significant relative changes in both directions; however, the effect on total CPU time requirement was negligible because of the estimated low volume of records to be processed.

Attachment 1 is a comparative breakdown of CPU time requirement by run grouping; Attachment 2 is a comparative breakdown for the GMF runs. In Attachment 2 the "REVISED" total CPU time requirements reflect the sum of an estimated time to process relatively simple IRP/RPS documents and more complicated business and individual tax documents. In looking at these two tables, its very important to keep in mind that the primary component of the total CPU time requirement is GMF01 (for Phase IV it represents 80% of the GMF time and 60% of all production application time). The CPU time requirement for GMF01 should be expected to drop as the SCRS transition moves in to Phase IV; in particular we expect to see a drop after the implementation of DIS since the use of standard interchange tapes should simplify GMF01's processing requirements.

The following table summarizes the workload CPU requirement (original and revised) and estimated available capacity (all in hours) for three and four CPU configurations. This information was presented in the original USAGE Study report and is reflective of peak day/peak week workload for MSC (which has the highest level of batch processing). For "Other, Local, and Housekeeping" we did not change the estimates. These were originally developed simply as a percentage of the known SCRS production work. Since we are not changing the estimate of the volume of work to be performed, we do not believe it necessary to alter this estimate.

	Phase III		Phase IV		Estimated Capac	
	USAGE	REVISED	USAGE	REVISED	3CPU	4CPU
SCRS Production	9.9	10.6	26.6	29.9		
Other, Local, & Housekeeping	3.3	3.3	8.9	8.9		
Total	13.2	13.9	35.5	38.8	13.7	16.7

Although the capacity shortage still looks grim there is the possibility that GMF01's CPU requirement will decrease. Since the factors contributing to an expected decrease have not been quantified, and may be partially offset by increased complexity with IMF processing, we continue to recommend that GMF01 be offloaded from SCRS by 1985. There is also the possibility that batch processing can be leveled throughout the peak week period to a greater extent than assumed in the USAGE study; the leveling could very well apply to local processing.

As in the past, the CFL Staff will keep you informed of any new information on the SCRS capacity outlook as substantive estimates are developed. If you have any questions on this matter contact Roger Howard at 756-6541.

Attachments (2)

ATTACHMENT

SUMMARY OF ESTIMATED CPU WORKLOAD

	APPLICATION	USAGE		REVISED	
		CPU TIME	% OF TOTAL	CPU TIME	% OF TOTAL
		PHASE III			
DLY	DAILY BLOCKING & NUMBERING RUNS	1.0	10.4	1.4	12.8
DOC	DOCUMENT REQUESTS	.0	.0	.0	.0
DTR	DAILY TRANSACTION REGISTER	.0	.1	.1	.6
EAX	EACS SYSTEM	.0	.1	.0	.0
EOD	END-OF-DAY PROCESSING	.6	5.9	.6	5.5
GMF	GENERALIZED MAINLINE FRAMEWORK	2.7	27.4	5.3	50.1
GMF15	TAPE EDIT PROCESSING	2.0	20.6	.2	2.0
* FTD	FEDERAL TAX DEPOSIT SYSTEM	1.2	12.5	1.2	11.7
TRS	MICROFILM REPLACEMENT SYSTEM	.7	7.0	.6	6.0
* URF	UNIDENTIFIED REMITTANCE PROCESSING	.0	.2	.0	.2
** IRP	INFORMATION RETURNS PROCESSING	1.6	16.3	1.1	10.6
	TOTAL	9.9		10.6	
		PHASE IV			
DLY	DAILY BLOCKING & NUMBERING RUNS	1.0	3.9	1.4	4.5
DOC	DOCUMENT REQUESTS	.0	.0	.0	.0
DTR	DAILY TRANSACTION REGISTER	.0	.0	.1	.2
EAX	FACS SYSTEM	.0	.0	.0	.0
EOD	END-OF-DAY PROCESSING	.6	2.2	.6	2.0
* ERS	ERROR RESOLUTION SYSTEM	1.0	3.7	1.0	3.3
GMF	GENERALIZED MAINLINE FRAMEWORK	11.7	44.0	23.0	76.9
GMF15	TAPE EDIT PROCESSING	8.7	32.6	.9	3.1
* FTD	FEDERAL TAX DEPOSIT SYSTEM	1.2	4.7	1.2	4.1
TRS	MICROFILM REPLACEMENT SYSTEM	.7	2.6	.6	2.1
* URF	UNIDENTIFIED REMITTANCE PROCESSING	.0	.1	.0	.1
** IRP	INFORMATION RETURNS PROCESSING	1.6	6.1	1.1	3.8
	TOTAL	26.6		29.9	

* ESTIMATES COMPLETELY CARRIED OVER F[illegible]ORIGINAL USAGE STUDY.

** ORIGINAL [illegible] STUDY INCLUDED TEFRA[illegible]K; EXCEPT FOR TEFRA BEING E[illegible] REVISED ESTIMATE IS IDENTICAL.

FIGURE 1

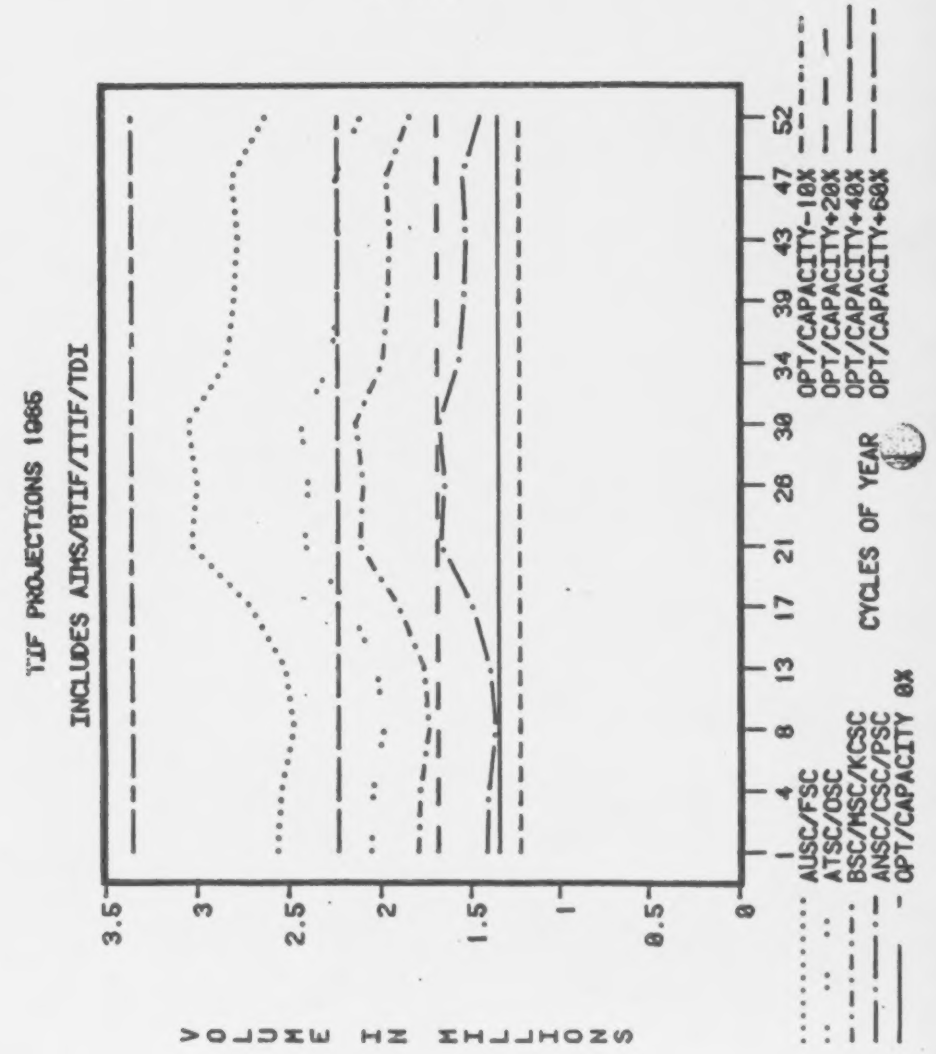
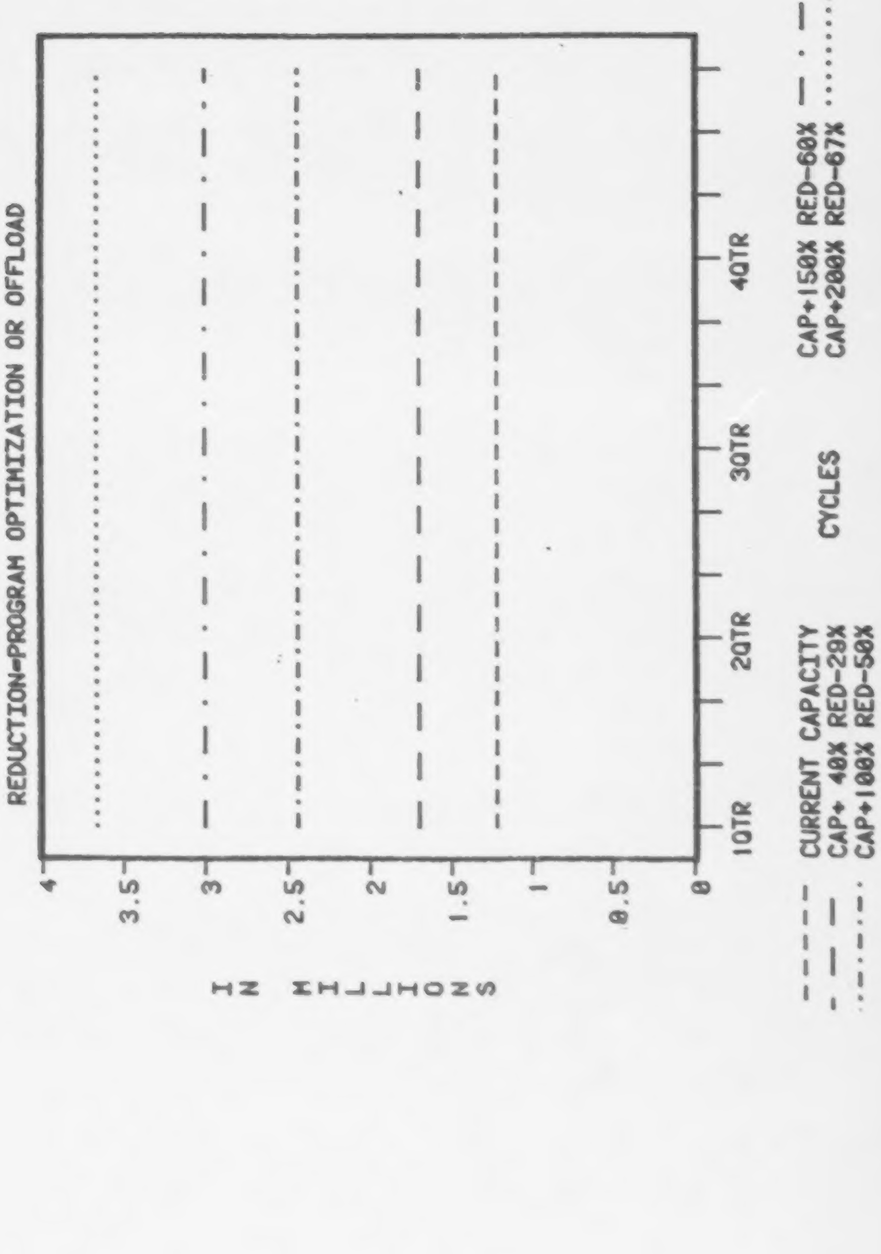
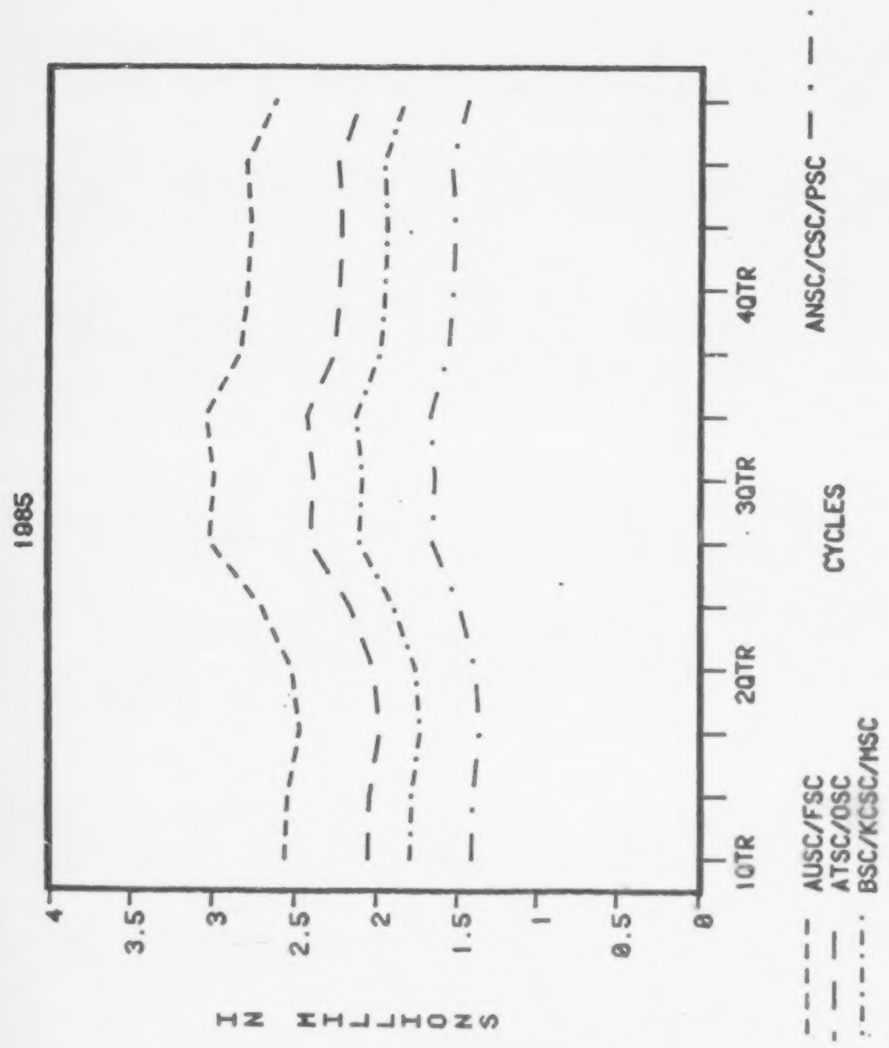

TIF PROJECTIONS 1985
INCLUDES AIMS/BTIF/ITIF/TDI
VOLUME IN MILLIONS
3.5
3
2.5
2
1.5
1
0.5
0
1
4
8
13
17
21
26
30
34
39
43
47
52
CYCLES OF YEAR
AUSC/FSC
ATSC/OSC
BSC/MSC/KCSC
ANSC/CSC/PSC
OPT/CAPACITY 0%
OPT/CAPACITY-10%
OPT/CAPACITY+20%
OPT/CAPACITY+40%
OPT/CAPACITY+60%

FIGURE 2

¶ A¶¶ B ¶¶ 5/1/84 C ¶¶ D ¶¶ E ¶¶ F ¶¶ G ¶¶ H ¶¶ I ¶ J ¶¶ K ¶¶ L ¶¶ M ¶¶ N ¶¶ O¶¶ P ¶¶ Q ¶¶ R ¶¶ S ¶

JOB NAME	DESCRIPTION	SOURCE PHASE	JOB TYPE	INPUT RECORDS NUMBER	PROJECTED	SUPS USED CPU	I/O	CC/ER	TOTAL	RUN TIME	CPU RATE MS	EXPAND FACTOR	PROJECTED SUPS USED CPU	I/O	TOTAL	RUN TIME
WTU90	SORT REFUND UPDATES	II	ACCTS	20,917	425,000	.005	.010	.011	.026	.093	.861	20.32	.10	.20	.53	1.89
WTU92	REFUND UPDATE	II	ACCTS	20,917	425,000	.034	.530	.026	.590	.507	5.852	20.32	.69	10.77	11.99	10.30
WEEKLY REFUND TIF UPDATE						.039	.540	.037	.616	.600			.79	10.97	12.52	12.19
KIF31	FORMAT TIF MAF INFO FOR KIF	II	ACCTS	255,226	255,226	.274	.087	.057	.418	1.222	3.865	1.00	.27	.09	.42	1.22
KIF33	UPDATE SKIF	II	ACCTS	89,575	89,575	.121	2.039	.120	2.280	2.084	4.863	1.00	.12	2.04	2.28	2.08
KIF35	UPDATE EKIF	II	ACCTS	166,031	166,031	.195	2.076	.116	2.387	2.266	4.228	1.00	.20	2.08	2.39	2.27
WEEKLY KIF UPDATE						.590	4.202	.293	5.085	5.572			.59	4.20	5.09	5.57
WTU05	SORT/SEPARATE TIF TRANSFERS	II		194	194	.001	.001	.017	.019	.034	18.557	1.00	.00	.00	.02	.03
WTU10	SEPARATE ITIF UPDATES	III	ACCTS	87,263	694,534	.633	.384	.056	1.073	1.108	26.114	7.96	5.04	3.06	8.54	8.82
WTU16	SORT ITIF CHANGES	II	MODS	4,176	34,814	.010	.021	.014	.045	.077	8.621	8.34	.08	.18	.38	.64
WTU30	SEPARATE BTIF UPDATES	III	ACCTS	73,552	270,949	1.081	.587	.082	1.750	1.881	52.910	3.68	3.98	2.16	6.45	6.93
WTU36	SORT BTIF CHANGES	II	MODS	1,861	2,489	.004	.011	.013	.028	.041	7.738	1.34	.01	.01	.04	.05
WTU50	SEPARATE ZTIF UPDATES	II	MODS	692	42,882	.002	.005	.018	.025	.046	10.405	61.97	.12	.31	1.55	2.85
WTU56	SORT ZTIF CHANGES	II	MODS	9	122	.000	.003	.012	.015	.047	.000	13.56	.00	.04	.20	.64
PRE-WEEKEND TIF PROCESSING						1.731	1.012	.212	2.955	3.234			9.23	5.76	17.17	19.97
WTU17	ITIF ACCOUNT MERGE	II	MODS	4,176	34,814	.059	.234	.019	.312	.294	50.862	8.34	.49	1.95	2.60	2.45
WTU18	ITIF TRANSFER IN	II	NO DATA	1	1				.000		.000	1.00	.00	.00	.00	.00
WTU19	ITIF UPDATE	III	ACCTS	5,242	678,118	.140	.230	.020	.390	.326	96.147	129.36	18.11	29.75	50.45	42.17
WTU20	ITIF ACCOUNT ANALYSIS	III	ACCTS	114,340	2,284,379	.831	.656	.040	1.527	1.713	26.164.	19.98	16.60	13.11	30.51	34.22
WTU23	ITIF TDA ANALYSIS	III	ACCTS	9,850	325,212	.448	.209	.017	.674	1.159	163.736	33.02	14.79	6.90	22.25	38.27
WTU25	ITIF TDI ANALYSIS	III	ACCTS	18,146	120,539	.305	.585	.030	.920	.742	60.509	6.64	2.03	3.89	6.11	4.93
WTU27	ITIF TDA/TDI REPORT EXTRACT	III	ACCTS	113,907	891,501	.506	.672	.042	1.220	1.195	15.992	7.83	3.96	5.26	9.55	9.35
WTU29	ITIF POST UPDATE ANALYSIS	III	ACCTS	114,340	2,284,379	3.032	.832	.067	3.931	4.978	95.463	19.98	60.58	16.62	78.54	99.45
EEKLY ITIF UPDATE						5.321	3.418	.235	8.974	10.407			116.56	77.479	200.01	230.849
WTU37	BTIF ACCOUNT MERGE	II	MODS	1,861	2,489	.003	.020	.013	.036	.028	5.803	1.34	.00	.03	.05	.04
WTU38	BTIF TRANSFER IN	II	SECTS	194	194	.001	.005	.010	.016	.015	18.557	1.00	.00	.01	.02	.02
WTU39	BTIF UPDATE	III	ACCTS	14,415	270,177	.576	2.260	.076	2.912	2.020	143.850	18.74	10.80	42.36	54.58	37.86
WTU40	BTIF ACCOUNT ANALYSIS	III	ACCTS	93,874	849,776	.714	.640	.043	1.397	1.535	27.381	9.05	6.46	5.79	12.65	13.90
✓ WTU43	BTIF TDA ANALYSIS	III	ACCTS	43,267	113,262	1.925	.630	.045	2.600	2.949	160.168	2.62	5.04	1.65	6.81	7.72
WTU45	BTIF TDI ANALYSIS	III	ACCTS	11,174	125,637	.315	.463	.031	.809	.796	101.486	11.24	3.54	5.21	9.10	8.95
WTU47	BTIF TDA/TDI REPORT EXTRACT	III	ACCTS	93,878	477,798	.466	.625	.037	1.128	1.077	17.870	5.09	2.37	3.18	5.74	5.48
WTU49	BTIF POST UPDATE ANALYSIS	III	ACCTS	92,876	849,776	2.612	.774	.069	3.455	5.010	101.245	9.15	23.90	7.08	31.61	45.84
EEKLY BTIF UPDATE						6.612	5.417	.324	12.353	13.430			32.12	65.30	120.54	119.80
WTU57	ZTIF ACCOUNT MERGE	II	MODS	9	122	.001	.005	.012	.018	.010	400.000	13.56	.01	.07	.24	.16
WTU58	ZTIF TRANSFER IN	II	NO DATA	1	1				.000		.000	1.00	.00	.00	.00	.00
WTU59	ZTIF UPDATE	II	MODS	1,434	42,760	.006	.037	.014	.057	.068	15.063	29.82	.18	1.10	1.70	2.03
WTU60	ZTIF ACCOUNT ANALYSIS	II	MODS	86,492	136,490	.083	.076	.014	.173	.273	3.536	1.59	.13	.12	.28	.43
WTU63	ZTIF TDA ANALYSIS	II		1	1				.000		.000	1.00	.00	.00	.00	.00
WTU65	ZTIF TDI ANALYSIS	II		1	1				.000		.000	1.00	.00	.00	.00	.00
WTU67	ZTIF TDA/TDI REPORT EXTRACT	II		1	1				.000		.000	1.00	.00	.00	.00	.00
WTU69	ZTIF POST UPDATE ANALYSIS	II	MODS	86,492	136,490	.234	.104	.028	.366	.639	9.970	1.59	.37	.17	.58	1.02
EEKLY ZTIF UPDATE						.324	.222	.068	.614	.990			.70	1.46	2.80	3.61
AMG31	SORT AIMS UPDATES	II	ACCTS	20,136	20,136	.035	.061	.024	.120	.141	6.257	1.00	.04	.06	.12	.14
WTU21	AIMS ANALYSIS/REPORT EXTRACT	II	ACCTS	481,945	628,797	5.202	2.387	.310	7.899	9.501	38.858	1.30	6.79	3.11	10.31	12.40
EEKLY AIMS ANALYSIS		II				5.237	2.448	.334	8.019	9.642			6.82	3.18	10.43	12.56
TAL WEEKLY KIF AND TIF UPDATE PROCESSING						19.85	17.26	1.50	38.62	43.88			106.81	168.35	368.55	404.53


REDUCTION-PROGRAM OPTIMIZATION OR OFFLOAD
IN MILLIONS
4
3.5
3
2.5
2
1.5
1
0.5
0
1QTR
2QTR
3QTR
4QTR
CYCLES
CURRENT CAPACITY
CAP+ 40% RED-29%
CAP+100% RED-50%
CAP+150% RED-60%
CAP+200% RED-67%


1985
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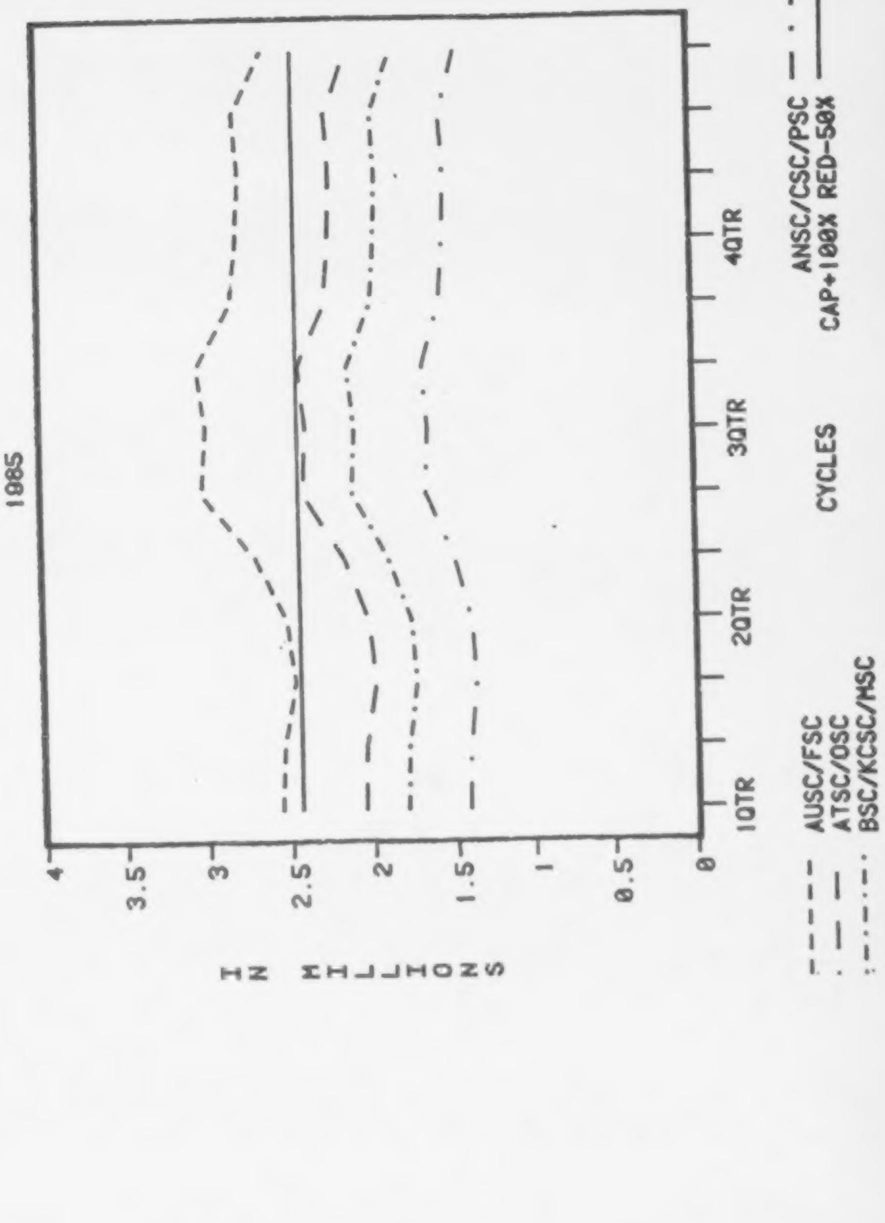
BSC/KCSC/MSC
ANSC/CSC/PSC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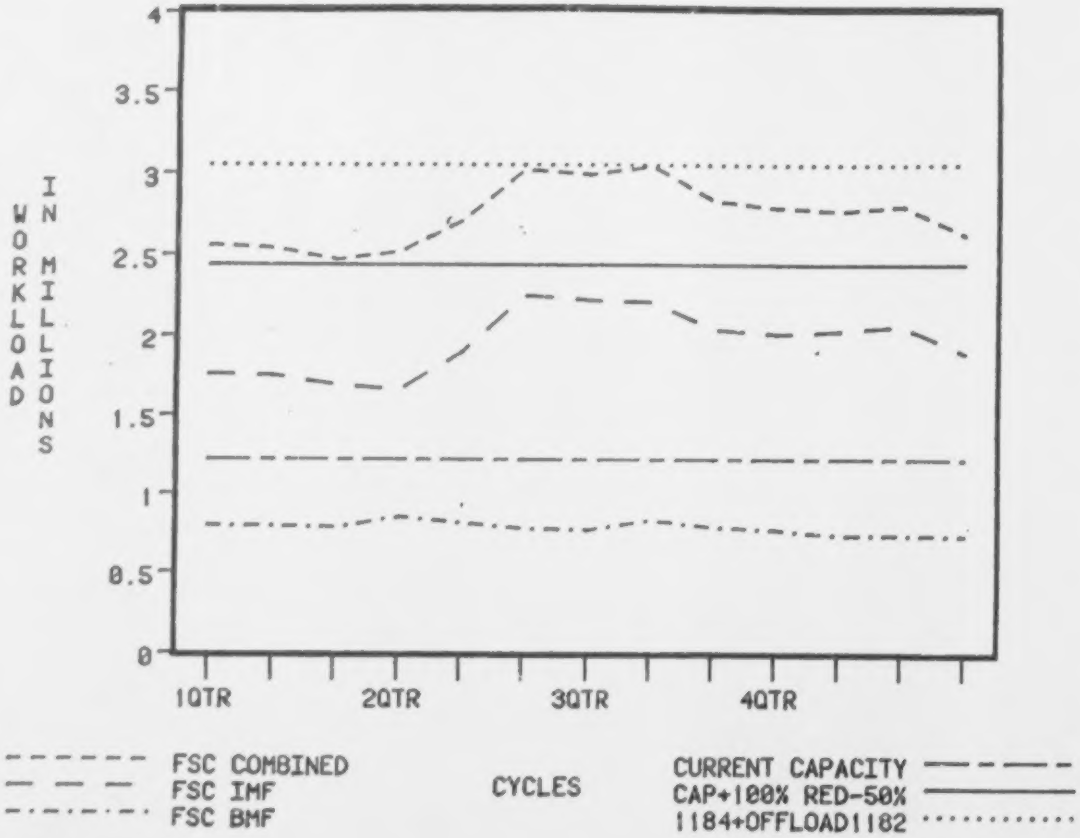
CYCLES
AUSC/FSC
ATSC/OSC
BSC/KCSC/MSC
ANSC/CSC/PSC
CAP+100X RED-50X

TAXPAYER INFORMATION FILE PROJECTIONS

1985



SCRS NIGHTLY BATCH PROCESSING
TIMING COMPARISONS
PEAK DAY/PEAK WEEK

	USAGE			REVISED							
RUN ID	VOLUME PEAK DAY	CPU SECS PER INP	TOTAL CPU TIME	VOLUME PEAK DAY IRP/RPS	CPU SECS PER INP	CPU TIME	VOLUME PEAK DAY OTHER	CPU SECS PER INP	CPU TIME	TOTAL CPU TIME	PERCENT CHANGE
GMF01.PH3	153960	.04594	1.96470	60952	.04594	.77782	93008	.13378	3.45627	4.23409	115.51
GMF02.PH3	153960	.00186	.07955	60952	.00186	.03149	93008	.00133	.03427	.06576	-17.34
GMF07.PH3	153960	.01330	.56880	60952	.01330	.22518	93008	.02430	.62782	.85300	49.96
GMF09.PH3	24292	.00553	.03732	5476	.00553	.00841	18751	.01837	.09569	.10410	178.94
GMF11.PH3	199	.00553	.00031	0	.00553	.00000	199	.00566	.00031	.00031	.00
GMF21.PH3	8357	.00510	.01183	2438	.00510	.00345	5919	.00052	.00085	.00430	-63.65
GMF23.PH3	2106	.00483	.00283	610	.00483	.00082	1496	.00055	.00023	.00105	-62.90
GMF25.PH3	8357	.02067	.04797	2438	.02067	.01400	5919	.02067	.03398	.04798	.02
TOTAL.PH3			2.71331			1.06117			4.24942	5.31059	95.72
*********	********	********	********	********	********	********	********	********	********	********	********
GMF01.PH4	665988	.04594	8.49875	264163	.04594	3.37101	401825	.13378	14.93221	18.30322	115.36
GMF02.PH4	665988	.00186	.34409	264163	.00186	.13648	401825	.00133	.14805	.28453	-17.31
GMF07.PH4	665988	.01330	2.46046	264163	.01330	.97594	401825	.02430	2.71238	3.68832	49.90
GMF09.PH4	111848	.00553	.17181	10427	.00553	.01602	101421	.01837	.51756	.53358	210.56
GMF11.PH4	2681	.00553	.00412	464	.00553	.00071	2217	.00566	.00349	.00420	1.94
GMF21.PH4	29724	.00510	.04208	6703	.00510	.00950	23023	.00052	.0033	.01280	-69.58
GMF23.PH4	11068	.00483	.01486	2745	.00483	.00368	8324	.00055	.00127	.00495	-66.69
GMF25.PH4	29724	.02067	.17064	6703	.02067	.03849	23023	.02067	.13219	.17068	.02
TOTAL.PH4			11.70681			4.55183			18.45045	23.00228	96.49
GMF15.PH3	129490	.05665	2.03767	55476	.00607	.09353	73327	.00607	.12363	.21716	-89.34
GMF15.PH4	551358	.05665	8.67623	253176	.00607	.42686	298182	.00607	.50274	.92960	-89.29

Tab C - Weekend Batch Processing Concerns/Projections

The memoranda following Tab C detail the Service's effort to develop empirical weekend batch capacity projections, as recommended in the SCRS USAGE study (Tab B 1). The memorandum entitled, "Projected Weekend Capacity Usage of SCRS" (Tab C 1), dated February 9, 1984, presents an estimate of weekend capacity utilization for SCRS Phase III in 1985, as recommended in the SCRS USAGE Study.

Tab C 2, "Projected Weekend Capacity Usage of SCRS - URMEM 2/9/84," dated March 15, 1984, provides the Service's actions which were being taken in response to the CPE staff's findings and recommendations as they pertained to weekend processing. Based on information provided by the CPE staff, Phase III high CPU usage weekend programs were being developed in a segmented manner and the WTU21 bottleneck was to be eliminated by segmentation. (Segmentation of a data base into logical components enables multiple copies of a program to be run, each against a segment of the data. The runs are completed in a shorter time frame and maximum usage is made of the CPU. Further, this allows individual portions of the data base to be brought back up on-line as the updates are completed.) Changes were also made to allow up to ten jobs (programs) to run concurrently, thereby maximizing CPU usage. In addition, program optimization was actively pursued and handbooks revised to incorporate and consolidate optimization techniques.

Predicated on the February 9, 1984, weekend update projections, the IRS decided to install a fourth CPU at each of the ten Service Centers to accommodate the weekend processing requirements. These CPUs were ordered on March 2, and March 26, 1984. To facilitate testing, the order requested that the fourth CPU be delivered to the Memphis Service Center on or before May 1, 1984. The other Centers were to receive their equipment between September 1, and November 1, 1984.

In March 1984, the IRS ran a test with actual (live) data from the Cincinnati Service Center of the Phase III weekend TIF update programs (those that were completed and running) and determined that at the largest Centers there was almost twice the weekend batch workload that could be handled during the weekend.

Tab C 3, "SCRS Capacity," dated April 13, 1984, provides the CPE staff's projections regarding weekend processing. Tab C 4, "Status Report 1 SCRS Phase III Weekend Optimization Project," dated April 18, 1984, projected that SCRS Phase III weekend processing would require 175 to 200 percent of available capacity at the Fresno Service Center (one of the largest Centers). In response to these findings, a study team was established to reduce workload through program optimization and other actions.

Tab C 5, "Implications of SCRS Phase III at MSC," dated June 4, 1984, provides projections of the impact of Phase III implementation. As a result of the Phase III implementation projections, additional 1100/82's (two CPU systems) were ordered for the four high volume centers to accommodate the estimated weekend processing requirements. The order was placed on July 26, 1984, and two systems were to be delivered on or before January 1, 1985, and the other two systems were to be delivered on or before February 1, 1985.

09 FEB 1984

Director, Software Division D:C:S
Director, Management Systems Division D:C:M
/s/ Bernard F. Miller for

Director, Hardware Division D:C:H

Projected Weekend Capacity Usage of SCRS

This paper presents an estimate of weekend capacity utilization of SCRS Phase III in 1985. This projection is an intermediate step in a continuing study by D:C:H:P to determine whether or not sufficient capacity exists within procured SCRS equipment to process workloads after Phase IV (completion of the conversion of H2050A and CDC 3500 programs to SCRS).

After Phase III conversion of IDRS processing, SCRS weekend (48 clock hours) capacity utilization at FSC on a UNIVAC 1184 will be 67%. This estimate does not include allowances for local runs, housekeeping runs and other production runs (unprojected CDC 3500 and H2050A programs). Previously in the SCRS Usage Study, we estimated an allowance of 25% (10%, 5% and 10% respectively) above known workload for these runs. This would raise FSC weekend capacity utilization of SCRS to 109% with 11% of weekend capacity allotted for pre-weekend processing. If sufficient capacity exists during the week to process pre-weekend workload, weekend capacity utilization will be 98%.

However, whichever capacity utilization estimate (67%, 98% or 109%) we use is unimportant since each is sufficiently high to warrant concern. In other words, we will enter 1985 with a system that is saturated or over-saturated with weekend workload.

Since the major programs in the weekend will go through major changes between Phase II and Phase III, it is imperative that the resource utilization of these programs be measured with representative data of sufficient volume to allow a much more precise estimate. Measurement should be accomplished as soon as possible so as to determine whether capacity saturation will be a problem at MSC during the Phase III implementation scheduled to begin May 21, 1984.

Although MSC's ILPS file size (IAMF and BAMF) was 68% of FSC's in 1983, MSC will only have a UNIVAC 1183 installed. Its capacity is 82% of an 1184. Hence, projected saturation of an 1184 at FSC means near saturation of an 1183 at MSC.

It is our feeling that the provided estimate of CPU utilization will not be decreased by implementation of Phase III programs (although it is a possibility if an effort to optimize code is undertaken). Furthermore, the value used in this analysis for "effective capacity" is based on a maximum rerun rate of 5%, a maximum downtime rate of 5% and attaining a minimum multi-programming efficiency equivalent to benchmark performance. High efficiency results from proper scheduling, elimination of job dependency bottlenecks, and minimal operator intervention. Some recommendations to be used to achieve high efficiency include but are not limited to the following: sufficient segmentation of large runs to fully utilize the CPU resource, the ability to multi-program DMS runs at a level of at least five concurrent runs, and the removal (by segmentation or other means) of the current bottleneck caused by WTU21 (AIMS Weekly Analysis).

Attached is a summary of the assumptions, methodology and findings used to produce the aforementioned capacity utilization estimates. If there are any questions, please contact Roger Howard on 756-6541.

Attachment
  As Noted

D:C:M:P/JRogers/dja/756-6577

ATTACHMENT

Analysis of SCRS Weekend Capacity Usage

Assumptions and Limitations

- Data was gathered from current Phase II processing at FSC.
- System capacity estimates are as presented in the "SCRS Usage Study (Nightly Batch Processing)" dated February 1983.

48 Hour System Capacity

No. of CPU's	Effective Capacity	Estimated Capacity in CPU Sup Hours
3	1.71	82.1
4	2.09	100.3

- Capacity and workload is measured in CPU Sups. Total run time and I/O Sups were also extracted but are not part of the capacity utilization evaluation. It is estimated that run time or I/O will not be a problem providing large jobs are segmented and files are placed properly to avoid I/O contention. I/O utilization is sufficiently low and will not create a bottleneck.
- Size of files in accounts or modules are based on available 1983 data and our best understanding of the contents of the TIF files. (See methodology). No consideration was given to data file structure changes between Phase II and Phase III (Via Set).

Methodology

Straight forward projection methods were only useful for a small number of runs. This method simply extrapolates CPU utilization based on relative number of inputs for measured utilization to number of inputs projected for peak cycles in 1985. Formula as follows:

Projected CPU Sups =
(CPU Sups/# of inputs) times (# of projected inputs)

This method was used on the Weekly Refund TIF update runs (WTU90 and WTU92) since these runs will be essentially unchanged for Phase III and more input data is processed during peak cycles than at the time we measured processing rates. AIMS Weekly processing run WTU21 was similarly projected. The only variation was to determine peak cycle (8324) accounts since file size of the AIMF (CDC) was given in modules. From run controls of WTU21, it was calculated that an account on the AIMF averages 1.3 modules, hence we divided cycle 8324 modules by 1.3 to project 1985 peak cycle AIMS TIF volume.

When estimating TIF processing expansion it was necessary to factor in a consideration for the processing of tax modules not currently on the TIF. Therefore, file size was calculated in terms of modules (entity and tax modules-mostly entities) on the current file. Then a projection was made of total modules in 1985. Essentially, this assumes that the processing time for a tax module will be equivalent to that currently necessary for an entity. However gross this may be, it is all the information that is currently available with which to make a projection. Another gross estimate was made when determining processing rates for Phase III programs which are non-existant in Phase II. These are the TDA Analysis, TDI Analysis and Report Extraction runs associated with the ITIF, BTIF and ZTIF. In this case processing rates were equated to WTU21.

NOTE: This emphasizes the need to measure rates based on the real Phase III programs running with truly representative data as soon as possible. However gross the estimates we have given, we believe that they will be on the low side rather than the high side. Also, note no estimate has been given for TDA, TDI or CARS post-weekend update processing.

Findings

The following is an extraction of projected CPU Sup utilization at FSC in 1985 for weekend processing. Detailed data on utilization is given in Table I and Table II. Projected volume calculations are given Tables III, IV, V and VI.

Process Name	Projected CPU Sup Hours	% Capacity
Pre-Weekend TIF	10.924	10.89%
ITIF Update	37.936	37.82%
BTIF Update	25.696	25.19%
ZTIF Update	.697	.69%
AIMS Analysis	4.855	4.84%
Refund Update	.792	.79%
KIF Update	.590	.59%
EACS Update	.531	.53%
CAF Analysis	1.244	1.22%
Post-Weekend AIMS	.480	.48%
Post-Weekend TDI	N/A	
Post-Weekend TDA	N/A	
Post-Weekend CARS	N/A	
TIF Transcripts	.055	.05%
TURS Data Reduction	3.224	3.21%
SubTotal	87.00	86.74%
Miscellaneous 10%	8.70	8.67%
Local 10%	8.70	8.67%
Housekeeping 5%	4.35	4.34%
SubTotal	22.75	22.68%
Total	109.79	109.46%

TABLE 1

WEFKLY KIF AND TIF UPDATE PROCESSING

JOB NAME	DESCRIPTION	JOB INPUT RECORDS TYPE	NUMBER	PROJECTED	SUPS USED CPU	I/O	OC/ER	TOTAL	RUN TIME	PROJECTED SUPS USED CPU	I/O	TOTAL	RUN TIME
WTU90	SORT REFUND UPDATES	ACCTS	20,917	425,000	.005	.010	.011	.026	.093	.102	.203	.528	1.890
WTU92	REFUND UPDATE	ACCTS	20,917	425,000	.034	.530	.026	.590	.507	.691	10.769	11.988	10.301
WEEKLY REFUND TIF UPDATE					.039	.540	.037	.616	.600	.792	10.972	12.516	12.191
KIF31	FORMAT TIF NAF INFO FOR KIF	ACCTS	255,224	255,224	.274	.087	.057	.418	1.222	.274	.087	.418	1.222
KIF33	UPDATE SKIF	ACCTS	89,575	89,575	.121	2.039	.120	2.280	2.084	.121	2.039	2.280	2.084
KIF35	UPDATE EKIF	ACCTS	166,031	166,031	.195	2.076	.116	2.387	2.266	.195	2.076	2.387	2.266
WEEKLY KIF UPDATE					.590	4.202	.293	5.085	5.572	.590	4.202	5.085	5.572
WTU05	SORT/SEPARATE TIF TRANSFERS		194	194	.001	.001	.017	.019	.034	.001	.001	.019	.034
WTU10	SEPARATE ITIF UPDATES	MODS	316,185	1,472,898	.647	.306	.109	1.062	1.881	3.014	1.425	4.947	8.762
WTU11	SORT INAF DELETES	ACCTS	41,239	0	.007	.006	.012	.025	.435	.000	.000	.000	.000
WTU13	SORT ITIF UPDATES	MODS	314,386	1,438,084	.762	.428	.199	1.389	1.753	3.486	1.958	6.354	8.019
WTU16	SORT ITIF CHANGES	MODS	1,799	34,814	.004	.010	.013	.027	.039	.077	.194	.523	.755
WTU30	SEPARATE BTIF UPDATES	MODS	165,799	873,727	.365	.150	.057	.572	1.309	1.923	.790	3.014	6.898
WTU31	SORT BNAF DELETES	ACCTS	23,275	0	.004	.004	.012	.020	.274	.000	.000	.000	.000
WTU33	SORT BTIF UPDATES	MODS	165,300	871,238	.402	.607	.106	1.115	2.352	2.119	3.199	5.877	12.397
WTU36	SORT BTIF CHANGES	MODS	499	2,489	.011	.032	.016	.059	.073	.055	.160	.294	.364
WTU50	SEPARATE ZTIF UPDATES	MODS	692	42,882	.002	.005	.018	.025	.046	.124	.310	1.549	2.851
WTU51	SORT CNAF/PNAF DELETES	ACCTS	751	0	.000	.002	.011	.013	.060	.000	.000	.000	.000
WTU53	SORT ZTIF UPDATES	MODS	683	42,760	.002	.005	.016	.023	.071	.125	.313	1.440	4.445
WTU56	SORT ZTIF CHANGES	MODS	9	122	.000	.003	.012	.015	.047	.000	.041	.203	.637
PRE-WEEKEND TIF PROCESSING					2.207	1.559	.598	4.364	8.374	10.924	8.391	24.220	45.161
WTU17	ITIF ACCOUNT MERGE	MODS	1,799	34,814	.022	.109	.015	.146	.163	.426	2.109	2.825	3.154
WTU18	ITIF TRANSFER IN	NO DATA	1	1				.000		.000	.000	.000	.000
WTU19	ITIF UPDATE	MODS	355,625	1,438,084	2.299	3.998	.246	6.543	9.226	9.297	16.167	26.459	37.308
WTU20	ITIF ACCOUNT ANALYSIS	MODS	2,414,026	4,521,818	3.195	3.678	.194	7.067	8.173	5.985	6.889	13.238	15.309
WTU23	ITIF TDA ANALYSIS	ACCTS	0	325,212				.000		2.493	1.144	3.785	4.553
WTU25	ITIF TDI ANALYSIS	ACCTS	0	120,539				.000		.924	.424	1.403	1.687
WTU27	ITIF TDA/TDI REPORT EXTRACT	ACCTS	0	891,501				.000		6.833	3.136	10.376	12.480
WTU29	ITIF POST UPDATE ANALYSIS	MODS	2,435,116	4,521,818	6.395	4.354	.383	11.132	20.926	11.979	8.156	20.852	39.197
WEEKLY ITIF UPDATE					11.911	12.139	.838	24.888	38.488	37.936	38.025	78.938	113.690
WTU37	BTIF ACCOUNT MERGE	MODS	499	2,489	.009	.052	.015	.076	.085	.045	.259	.379	.424
WTU38	BTIF TRANSFER IN	SECTS	194	194	.001	.005	.010	.016	.015	.001	.005	.016	.015
WTU39	BTIF UPDATE	MODS	188,575	871,238	1.126	1.463	.107	2.696	4.435	5.202	6.759	12.456	20.490
WTU40	BTIF ACCOUNT ANALYSIS	MODS	859,587	2,740,273	.802	.784	.081	1.667	2.499	2.557	2.499	5.314	7.967
WTU43	BTIF TDA ANALYSIS	ACCTS	0	113,262				.000		.868	.398	1.318	1.586
WTU45	BTIF TDI ANALYSIS	ACCTS	0	125,637				.000		.963	.442	1.462	1.759
WTU47	BTIF TDA/TDI REPORT EXTRACT	ACCTS	0	477,798				.000		3.662	1.680	5.561	6.689
WTU49	BTIF POST UPDATE ANALYSIS	MODS	889,765	2,740,273	4.025	3.527	.224	7.776	17.800	12.397	10.862	23.950	54.820
WEEKLY BTIF UPDATE					5.963	5.831	.437	12.231	24.834	25.696	22.906	50.456	93.749

JOB NAME	DESCRIPTION	JOB INPUT RECORDS TYPE	NUMBER	PROJECTED	SUPS USED CPU	I/O	CC/ER	TOTAL	RUN TIME	PROJECTED SUPS USED CPU	I/O	TOTAL	RUN TIME
WTU57	ZTIF ACCOUNT MERGE	MODS	9	122	.001	.005	.012	.018	.010	.014	.068	.244	.136
WTU58	ZTIF TRANSFER IN	NO DATA	1	1				.000		.000	.000	.000	.000
WTU59	ZTIF UPDATE	MODS	1,434	42,760	.006	.037	.014	.057	.068	.179	1.103	1.700	2.028
WTU60	ZTIF ACCOUNT ANALYSIS	MODS	84,492	134,490	.083	.076	.014	.173	.273	.132	.121	.275	.435
WTU63	ZTIF TDA ANALYSIS		1	1				.000		.000	.000	.000	.000
WTU65	ZTIF TDI ANALYSIS		1	1				.000		.000	.000	.000	.000
WTU67	ZTIF TDA/TDI REPORT EXTRACT		1	1				.000		.000	.000	.000	.000
WTU69	ZTIF POST UPDATE ANALYSIS	MODS	84,492	134,490	.234	.104	.028	.366	.639	.372	.166	.583	1.017
WEEKLY ZTIF UPDATE					.324	.222	.068	.614	.990	.697	1.458	2.802	3.615
AMS31	SORT AIMS UPDATES	ACCTS	20,136	20,136	.035	.061	.024	.120	.141	.035	.061	.120	.141
WTU21	AIMS ANALYSIS/REPORT EXTRACT	ACCTS	678,673	628,797	5.202	2.387	.310	7.899	9.501	4.820	2.212	7.318	8.803
WEEKLY AIMS ANALYSIS					5.237	2.448	.334	8.019	9.642	4.855	2.273	7.438	8.944
TOTAL WEEKLY KIF AND TIF UPDATE PROCESSING					26.27	26.94	2.61	55.82	88.50	81.49	88.23	181.46	282.92

TABLE II

OTHER WEEKEND AND POST-WEEKEND PROCESSING

JOB NAME	DESCRIPTION	JOB INPUT RECORDS TYPE	NUMBER	PROJECTED	SUPS USED CPU	I/O	CC/ER	TOTAL	RUN TIME	PROJECTED SUPS USED CPU	I/O	TOTAL	RUN TIME
EAX32	POCF UPDATE AND ANALYSIS	RECS	63,282	63,282	.052	.983	.049	1.084	.898	.052	.983	1.084	.898
EAX34	POIF SORT AND BUILD	RECS	185,853	185,853	.139	.146	.019	.304	.319	.139	.146	.304	.319
EAX36	EACS REPORT EXTRACT	RECS	61,951	61,951	.337	1.048	.043	1.428	.987	.337	1.048	1.428	.987
EAX38	SORT/EDIT TECHNICAL REPORTS	RECS	201	201	.000	.004	.014	.018	.029	.000	.004	.018	.029
EAX40	SORT/EDIT INVENTORY REPORTS	RECS	7,242	7,242	.003	.006	.016	.025	.036	.003	.006	.025	.036
WEEKLY EACS PROCESSING					.531	2.187	.141	2.859	2.269	.531	2.187	2.859	2.269
CAF31		RECS	1,331	1,331	.001	.019	.010	.030	.289	.001	.019	.030	.289
CAF32		RECS	484,852	484,852	.166	.825	.036	1.027	.698	.166	.825	1.027	.698
CAF34		RECS	626,861	626,861	1.057	2.564	.156	3.777	3.374	1.057	2.564	3.777	3.374
WEEKLY CAF PROCESSING					1.224	3.408	.202	4.834	4.361	1.224	3.408	4.834	4.361
TUR25	TERMINAL DATA REDUCTION	RECS	1,872,780	2,900,000	2.082	.266	.038	2.386	3.966	3.224	.412	3.695	6.141
TDIxx	TDI NOTICE STRING	RUN	1	1				.000		.000	.000	.000	.000
TDAxx	TDA NOTICE STRING	RUN	1	1				.000		.000	.000	.000	.000
CARxx	TDI/TDA REPORT PROCESSING	RUN	1	1				.000		.000	.000	.000	.000
TRS04	EDIT TIF TRANSCRIPTS	RECS	34,036	34,036	.055	.251	.043	.349	.291	.055	.251	.349	.291
AMS38	SORT AIMS REPORT RECORDS	RECS	187,769	187,769	.041	.142	.011	.194	.093	.041	.142	.194	.093
ARPxx	AIMS REPORT PROCESSING	RUN	1	1	.146	.307	.107	.560	1.980	.146	.307	.560	1.980
CSPxx	CENTRALIZED SCHEDULING RUNS	RUN	1	1	.293	1.532	.480	2.305	3.700	.293	1.532	2.305	3.700
POST-WEEKEND AIMS PROCESSING					.480	1.981	.598	3.059	5.773	.480	1.981	3.059	5.773
OTHER WEEKEND AND POST-WEEKEND PROCESSING					4.372	8.093	1.022	13.487	16.660	5.514	8.239	14.796	18.835

TABLE III

AIMS DATA PROJECTION

```
AIMS SOURCE DATA AND PROJECTIONS ***************************

        678,673 AIMS ACCOUNTS 8345            WTU21
        590,387   ON ITIF
         77,348   ON BTIF
         10,938   ON ZTIF
          .8699 ITIF/TOTAL
          .1140 BTIF/TOTAL
          .0161 ZTIF/TOTAL
         20,136 AIMS UPDATES 8345             AMS31

        817,436 AIMS TAX MODULES 8324
         1.3000 AIMS TAX MODULES PER ACCOUNT
        628,797 AIMS ACCOUNTS 8324
          .0000 GROWTH FACTOR
        628,797 PROJECTED AIMS ACCOUNTS 1985 WTU21
        546,999   ON ITIF
         71,664   ON BTIF
         10,134   ON ZTIF
          .2700 MATCHING AIMS/IANF
          .3600 MATCHING AIMS/BANF
          .0900 MATCHING AIMS/CANF+BANF
        399,309 NEW ACCOUNTS ON ITIF
         45,865 NEW ACCOUNTS ON BTIF
          9,222 NEW ACCOUNTS ON ZTIF
          .0297 AIMS UPDATE FACTOR
         18,656 PROJECTED AIMS UPDATES
```

TABLE IV

ITIF DATA PROJECTION

```
ITIF SOURCE DATA AND PROJECTIONS ***************************

      1,657,881 TIF ACCOUNTS 8345
        756,145 TAX MODULES
      2,414,026 ENTITY AND TAX MODULES        WTU20
                SECTIONS
        292,997 UPDATE ACCOUNTS
         21,389 UPDATE AIMS TAX MODULES
        314,386 UPDATE ENTITY/TAX MODULES     WTU13
      1,253,799 UPDATE SECTIONS
         41,239 NAF DELETES                   WTU11
          1,799 ENTITY/TAX MODULE CHANGES     WTU16

      1,391,280 IANF ACCOUNTS 8322
        399,309 NEW ACCOUNTS FROM AIMS
         67,929 NEW ACCOUNTS FROM DIRF
                NEW ACCOUNTS FROM URP
          .1000 GROWTH FACTOR
      2,044,370 PROJECTED TIF ACCOUNTS 1985
          .1174 NEW ACCOUNTS/FILE SIZE FACTOR
      2,284,379 ACCOUNTS TO WEEKLY ANALYSIS
         1.1207 TAX MODULE/ACCOUNT FACTOR
      4,844,483 ENTITY AND TAX MODULES        WTU20
            N/A SECTIONS PER ACCOUNT
            N/A TOTAL SECTIONS
          .3317 UPDATE/FILE SIZE FACTOR
        678,118 ACCOUNT UPDATES
```

```
1,438,084 ENTITY/TAX MODULE UPDATES    WTU13
      N/A UPDATE SECTIONS
    .0080 CHANGE/FILE SIZE FACTOR
   16,416 ACCOUNT CHANGES
   34,814 ENTITY/TAX MODULE CHANGES    WTU16
      N/A CHANGE SECTIONS

    .4250 TDA FACTOR
  650,423 TDA/NOTICE ACCOUNTS
    .5000 TDA SELECTION FACTOR
  325,212 TDA/NOTICE ACCOUNTS SELECTED WTU23
    .1087 TDI FACTOR
  241,077 TDI/NOTICE ACCOUNTS
    .5000 TDI SELECTION FACTOR
  120,539 TDI/NOTICE ACCOUNTS SELECTED WTU25
  891,501 TDA/TDI/NOTICES FOR REPORTS  WTU27
```

TABLE V

BTIF DATA PROJF   ON

```
BTIF DATA SOURCE AND PROJECTIONS **************************

      739,244 TIF ACCOUNTS 8345
      120,343 TAX MODULES
      859,587 ENTITY AND TAX MODULES        WTU40
          N/A SECTIONS
      159,965 UPDATE ACCOUNTS
        5,335 UPDATE AIMS TAX MODULES
      165,300 UPDATE ENTITY/TAX MODULES     WTU33
       23,275 NAF DELETES                   WTU31
      665,903 UPDATE SECTIONS
          499 ENTITY/TAX MODULE CHANGES     WTU36

      657,506 BANF ACCOUNTS 8322
       45,865 NEW ACCOUNTS FROM AIMS
       35,321 NEW ACCOUNTS FROM DIRF
              NEW ACCOUNTS FROM URP
        .1000 GROWTH FACTOR
      812,561 PROJECTED TIF ACCOUNTS 1985
        .0458 NEW ACCOUNTS/FILE SIZE FACTOR
      849,776 ACCOUNTS TO WEEKLY ANALYSIS
       2.2247 TAX MODULE/ACCOUNT FACTOR
    2,740,273 ENTITY AND TAX MODULES        WTU40
          N/A SECTIONS PER ACCOUNT
          N/A TOTAL SECTIONS
        .3325 UPDATE/FILE SIZE FACTOR
      270,177 ACCOUNT UPDATES
      871,238 ENTITY/TAX MODULE UPDATES     WTU33
          N/A UPDATE SECTIONS
        .0010 CHANGE/FILE SIZE FACTOR
          772 ACCOUNT CHANGES
        2,489 ENTITY/TAX MODULE CHANGES     WTU36
          N/A CHANGE SECTIONS

        .3132 TDA FACTOR
      226,524 TDA/NOTICE ACCOUNTS
        .5000 TDA SELECTION FACTOR
      113,262 TDA/NOTICE ACCOUNTS SELECTED WTU43
        .2937 TDI FACTOR
      251,274 TDI/NOTICE ACCOUNTS
        .5000 TDI SELECTION FACTOR
      125,637 TDI/NOTICE ACCOUNTS SELECTED WTU45
      477,798 TDA/TDI/NOTICES FOR REPORTS  WTU47
```

TABLE VI

ZTIF DATA PROJECTION

```
TA SOURCE AND PROJECTIONS **************************

   67,420 TIF ACCOUNTS 8345
   17,072 TAX MODULES
   84,492 ENTITY AND TAX MODULES        WTU60
      N/A SECTIONS
      673 UPDATE ACCOUNTS
       10 UPDATE AIMS TAX MODULES
      683 UPDATE ENTITY/TAX MODULES     WTU53
      751 NAF DELETES                   WTU51
    2,509 UPDATE SECTIONS
        9 ENTITY/TAX MODULE CHANGES     WTU56

   11,829 CANF ACCOUNTS 8325
   34,862 PANF ACCOUNTS FROM 8325
    9,222 NEW ACCOUNTS FROM AIMS
          NEW ACCOUNTS FROM DIRF
          NEW ACCOUNTS FROM URP
    .1000 GROWTH FACTOR
   61,504 PROJECTED TIF ACCOUNTS 1985
    .0458 NEW ACCOUNTS/FILE SIZE FACTOR
   64,321 ACCOUNTS TO WEEKLY ANALYSIS
   1.3000 TAX MODULE/ACCOUNT FACTOR
  147,939 ENTITY AND TAX MODULES        WTU60
      N/A SECTIONS PER ACCOUNT
      N/A TOTAL SECTIONS
    .3325 UPDATE/FILE SIZE FACTOR
   20,450 ACCOUNT UPDATES
   47,035 ENTITY/TAX MODULE UPDATES     WTU53
      N/A UPDATE SECTIONS
    .0010 CHANGE/FILE SIZE FACTOR
       58 ACCOUNT CHANGES
      134 ENTITY/TAX MODULE CHANGES     WTU56
      N/A CHANGE SECTIONS
```

Internal Revenue Service
# memorandum

date: 15 MAR 1984

to: Director, Hardware Division D:C:H

from: Director, Software Division D:C:S

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subject: Projected Weekend Capacity Usage of SCRS - Unmem 2/9/84

I appreciate your detailed analysis of the projected weekend capacity usage of SCRS. My managers and I share your concern regarding the ability to timely process all weekend work at the larger volume service centers during peak periods.

As to your specific recommendations, we are developing the Phase III weekend programs of high CPU usage in a segmented manner. Additionally WTU21 will be segmented to remove the existing bottleneck. The DMR is genned to allow up to ten jobs to execute concurrently. The quick look files which are shared by all active DMS (data base) runs have recently been expanded from 19,000 tracks to 39,000 tracks. This will allow either more runs to execute concurrently or longer time between checkpoints. With 39,000 tracks, we project that five runs will be able to execute concurrently with approximately 15 to 20 minutes between each checkpoint.

Other efficiencies we are working on include:

1. Elimination of the NCC TIF data being sorted prior to update runs WTU13, 33 and 53, as part of the processing identified as Pre-Weekend TIF Processing.

2. The TIF verify, a standard UNIVAC utility, will be modified or our own utility written to substantially reduce the processing time for Phase III. This may or may not be run during each weekend.

3. The UNIVAC Software Section of the Software Support Branch will prepare and issue a Systems Information Bulletin (SIB) regarding programming optimization. Although this will not contain any new information, it will draw together in one document many suggestions now found in various other SIB's, and chapters of the programmers handbook and UNIVAC manuals.

4. We will continue to optimize all of the large programs as rapidly as possible within the constraints of other obligations such as assisting in system implementation.

Even with all of the above efficiencies, there are some items which will tend to increase the weekend processing time. The VIA SET data base access method will add rather than reduce processing time in the TIF update. Additionally, I doubt that all service centers can initially achieve a minimum multi-programming efficiency equivalent to benchmark performance.

With all of the considerations in mind, I am happy to know you are moving ahead to acquire the fourth CPU for May 1 at MSC, September 1 at ATSC, AUSC, FSC, KCSC and OSC and November 1 at ANSC, BSC, CSC and PSC. I believe this is necessary to provide the needed computer capacity to begin the 1985 processing year. A related issue we need to collectively address in the near future is the capacity to process customer requirements committed to beyond the SCRS conversion date, i.e., Collection DIF Ordering System and the Automated Underreporter System.

I want our staffs to continue working together on monitoring the UNIVAC capacity including the planned Phase III weekend update test to be conducted in the near future at NCC.

cc: Director, Management Systems Division D:C:M

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1 9 APR 1984

Director, Hardware Division D:C:H

Roger D. Howard
Chief, ADP Performance Evaluation Staff D:C:H:P

SCRS Capacity

Attached, for the record, are Jack Rogers' current projections for the major portion of SCRS weekend processing showing a bottom line of 139 CPU SUP hours required. These projections will continue to be refined as more Phase III programs are volume tested, however, we expect the net result to be an increase in the 139 hour projection. Since the capacity of an 1100/84 is approximately 100 SUP hours, we obviously are facing a severe capacity problem. The CPU requirements must be reduced to about 80 SUP hours in order to run the weekend processing with a reasonable safety margin.

Attachment

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 ¶ A¶¶  B  ¶¶              C              ¶¶ D ¶¶ E ¶¶   F ¶¶     G     ¶¶ H ¶¶ I ¶ J ¶¶ K ¶¶ L ¶¶   M ¶¶   N ¶¶O¶¶ P ¶¶  Q ¶¶  R ¶¶   S '
1¶                                                                                                          CPU
2¶   JOB                                    SOURCE JOB INPUT RECORDS          SUPS USED                 RUN   RATE  EXPAND     PROJECTED SUPS USED     RU
3¶   NAME    DESCRIPTION                    PHASE  TYPE    NUMBER  PROJECTED    CPU    I/O  CC/ER  TOTAL  TIME     MS  FACTOR        CPU    I/O  TOTAL    TIM
4¶-------------------------------------------------------------------------------------  ---------------------------------------------------------------------
5¶   WTU90   SORT REFUND UPDATES            II     ACCTS    20,917   425,000   .005   .010   .011   .026   .093    .861  20.32        .102   .203   .528   1.89
6¶   WTU92   REFUND UPDATE                  II     ACCTS    20,917   425,000   .034   .530   .026   .590   .507   5.852  20.32        .691 10.769 11.988  10.30
7¶WEEKLY REFUND TIF UPDATE                                                     .039   .540   .037   .616   .600                       .792 10.972 12.516  12.19
8¶
9¶   KIF31   FORMAT TIF NAF INFO FOR KIF    II     ACCTS   255,224   255,224   .274   .087   .057   .418  1.222   3.865   1.00        .274   .087   .418   1.22
10¶  KIF33   UPDATE SKIF                    II     ACCTS    89,575    89,575   .121  2.039   .120  2.280  2.084   4.863   1.00        .121  2.039  2.280
11¶  KIF35   UPDATE EKIF                    II     ACCTS   166,031   166,031   .195  2.076   .116  2.387  2.266   4.228   1.00        .195  2.076  2.387
12¶WEEKLY KIF UPDATE                                                           .590  4.202   .293  5.085  5.572                       .590  4.202  5.085   5.57
13¶
14¶  WTU05   SORT/SEPARATE TIF TRANSFERS    II                 194       194   .001   .001   .017   .019   .034  18.557   1.00        .001   .001   .019    .03
15¶  WTU10   SEPARATE ITIF UPDATES          III    ACCTS    87,263   694,534   .633   .384   .056  1.073  1.108  26.114   7.96       5.038  3.056  8.540   8.81
16¶  WTU16   SORT ITIF CHANGES              II      MODS     4,176    34,814   .010   .021   .014   .045   .077   8.621   8.34        .083   .175   .375    .64
17¶  WTU30   SEPARATE BTIF UPDATES          III    ACCTS    73,552   270,949  1.081   .587   .082  1.750  1.881  52.910   3.68       3.982  2.162  6.447   6.92
18¶  WTU36   SORT BTIF CHANGES              II      MODS     1,861     2,489   .004   .011   .013   .028   .041   7.738   1.34        .005   .015   .037    .05
19¶  WTU50   SEPARATE ZTIF UPDATES          II      MODS       692    42,882   .002   .005   .018   .025   .046  10.405  61.97        .124   .310  1.549   2.85
20¶  WTU56   SORT ZTIF CHANGES              II      MODS         9       122   .000   .003   .012   .015   .047    .000  13.56        .000   .041   .203    .63
21¶PRE-WEEKEND TIF PROCESSING                                                 1.731  1.012   .212  2.955  3.234                      9.234  5.760 17.171  19.96
22¶
23¶  WTU17   ITIF ACCOUNT MERGE             II      MODS     4,176    34,814   .059   .234   .019   .312   .294  50.862   8.34        .492  1.951  2.601   2.45
24¶  WTU18   ITIF TRANSFER IN               II     NO DATA       1         1                        .000          .000   1.00        .000   .000   .000    .00
25¶  WTU19   ITIF UPDATE                    II      MODS   355,625 1,438,084  2.299  3.998   .246  6.543  9.226  23.273   4.04       9.297 16.167 26.459  37.30
26¶  WTU20   ITIF ACCOUNT ANALYSIS          III    ACCTS   113,907 2,284,379   .612   .557   .055  1.224  1.309  19.342  20.05      12.274 11.171 24.547  26.25
27¶  WTU23   ITIF TDA ANALYSIS              III    ACCTS    91,192   325,212  2.826   .698   .051  3.575  4.016 111.562   3.57      10.078  2.489 12.749  14.32
28¶  WTU25   ITIF TDI ANALYSIS              III    ACCTS    18,146   120,539   .305   .585   .030   .920   .742  60.509   6.64       2.026  3.886  6.111   4.92
29¶  WTU27   ITIF TDA/TDI REPORT EXTRACT    III    ACCTS   113,907   891,501   .506   .672   .042  1.220  1.195  15.992   7.83       3.960  5.259  9.548   9.35
30¶  WTU29   ITIF POST UPDATE ANALYSIS      III    ACCTS   113,907 2,284,379  2.502   .904   .093  3.499  3.981  79.075  20.05      50.177 18.130 70.172  79.83
31¶WEEKLY ITIF UPDATE                                                         9.109  7.648   .536 17.293 20.763                     88.304 59.053 152.19 174.45
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 ¶ A¶¶   B  ¶¶                C                 ¶¶ D ¶¶ E ¶¶   F ¶¶     G    ¶¶ H ¶¶  I ¶  J ¶¶   K ¶¶   L ¶¶    M ¶¶    N ¶¶O¶¶    P ¶¶   Q ¶¶   R ¶¶    S
1¶                                                                                                                      CPU
2¶   JOB                                          SOURCE JOB INPUT RECORDS             SUPS USED                  RUN    RATE   EXPAND        PROJECTED SUPS USED        RU
3¶   NAME     DESCRIPTION                         PHASE  TYPE     NUMBER  PROJECTED    CPU    I/O  CC/ER  TOTAL   TIME     MS   FACTOR          CPU    I/O  TOTAL       TIM
4¶-------------------------------------------------------------------------------------------  ------------------------------------------------------------------------------------
32¶
33¶   WTU37   BTIF ACCOUNT MERGE                  II      MODS     1,861      2,489   .003   .020   .013   .036   .028   5.803    1.34          .004   .027   .048
34¶   WTU38   BTIF TRANSFER IN                    II      SECTS      194        194   .001   .005   .010   .016   .015  18.557    1.00          .001   .005   .016
35¶   WTU39   BTIF UPDATE                         II      MODS   188,575    871,238  1.126  1.463   .107  2.696  4.435  21.496    4.62         5.202  6.759 12.456    20.49
36¶   WTU40   BTIF ACCOUNT ANALYSIS               III     ACCTS   93,878    849,776   .482   .489   .051  1.022  1.128  18.484    9.05         4.363  4.426  9.251    10.21
37¶   WTU43   BTIF TDA ANALYSIS                   III     ACCTS   43,267    113,262  1.925   .630   .045  2.600  2.949 160.168    2.62         5.039  1.649  6.806     7.72
38¶   WTU45   BTIF TDI ANALYSIS                   III     ACCTS   11,174    125,637   .315   .463   .031   .809   .796 101.486   11.24         3.542  5.206  9.096     8.95
39¶   WTU47   BTIF TDA/TDI REPORT EXTRACT         III     ACCTS   93,878    477,798   .466   .625   .037  1.128  1.077  17.870    5.09         2.372  3.181  5.741     5.48
40¶   WTU49   BTIF POST UPDATE ANALYSIS           II      MODS   889,765  2,740,273  4.025  3.527     .4  7.776 17.800  16.285    3.08        12.396 10.862 23.948    54.82
41¶WEEKLY BTIF UPDATE                                                                 8.343  7.222     .8 16.083 28.228                      32.919 32.116 67.363   107.72
42¶
43¶   WTU57   ZTIF ACCOUNT MERGE                  II      MODS         9        122   .001   .005   .012   .018   .010 400.000   13.56          .014   .068   .244      .13
44¶   WTU58   ZTIF TRANSFER IN                    II      NO DATA      1          1                        .000            .000    1.00          .000   .000   .000      .00
45¶   WTU59   ZTIF UPDATE                         II      MODS     1,434     42,760   .006   .037   .014   .057   .068  15.063   29.82          .179  1.103  1.700     2.02
46¶   WTU60   ZTIF ACCOUNT ANALYSIS               II      MODS    84,492    134,490   .083   .076   .014   .173   .273   3.536    1.59          .132   .121   .275      .43
47¶   WTU63   ZTIF TDA ANALYSIS                   II                   1          1                        .000            .000    1.00          .000   .000   .000      .00
48¶   WTU65   ZTIF TDI ANALYSIS                   II                   1          1                        .000            .000    1.00          .000   .000   .000      .00
49¶   WTU67   ZTIF TDA/TDI REPORT EXTRACT         II                   1          1                        .000            .000    1.00          .000   .000   .000      .00
50¶   WTU69   ZTIF POST UPDATE ANALYSIS           II      MODS    84,492    134,490   .234   .104   .028   .366   .639   9.970    1.59          .372   .166   .583     1.01
51¶WEEKLY ZTIF UPDATE                                                                  .324   .222   .068   .614   .990                        .697  1.458  2.802     3.61
52¶
53¶   AMS31   SORT AIMS UPDATES                   II      ACCTS   20,136     20,136   .035   .061   .024   .120   .141   6.257    1.00          .035   .061   .120      .14
54¶   WTU21   AIMS ANALYSIS/REPORT EXTRACT        II      ACCTS  481,945    628,797  5.202  2.387   .310  7.899  9.501  38.858    1.30         6.787  3.114 10.306    12.39
55¶WEEKLY AIMS ANALYSIS                           II                                  5.237  2.448   .334  8.019  9.642                       6.822  3.175 10.426    12.53
56¶-------------------------------------------------------------------------------------------  ------------------------------------------------------------------------------------
57¶TOTAL WEEKLY KIF AND TIF UPDATE PROCESSING                                         25.37  23.29   2.00  50.67  69.03                      139.36 116.74 267.55   336.0
```

8 APR 1984

Director, Hardware Division D:C:H
Director, Software Division D:C:S

Roger D. Howard

Chief, ADP Performance Evaluation Staff D:C:H:P

Status Report 1 SCRS Phase III Weekend Optimization Project

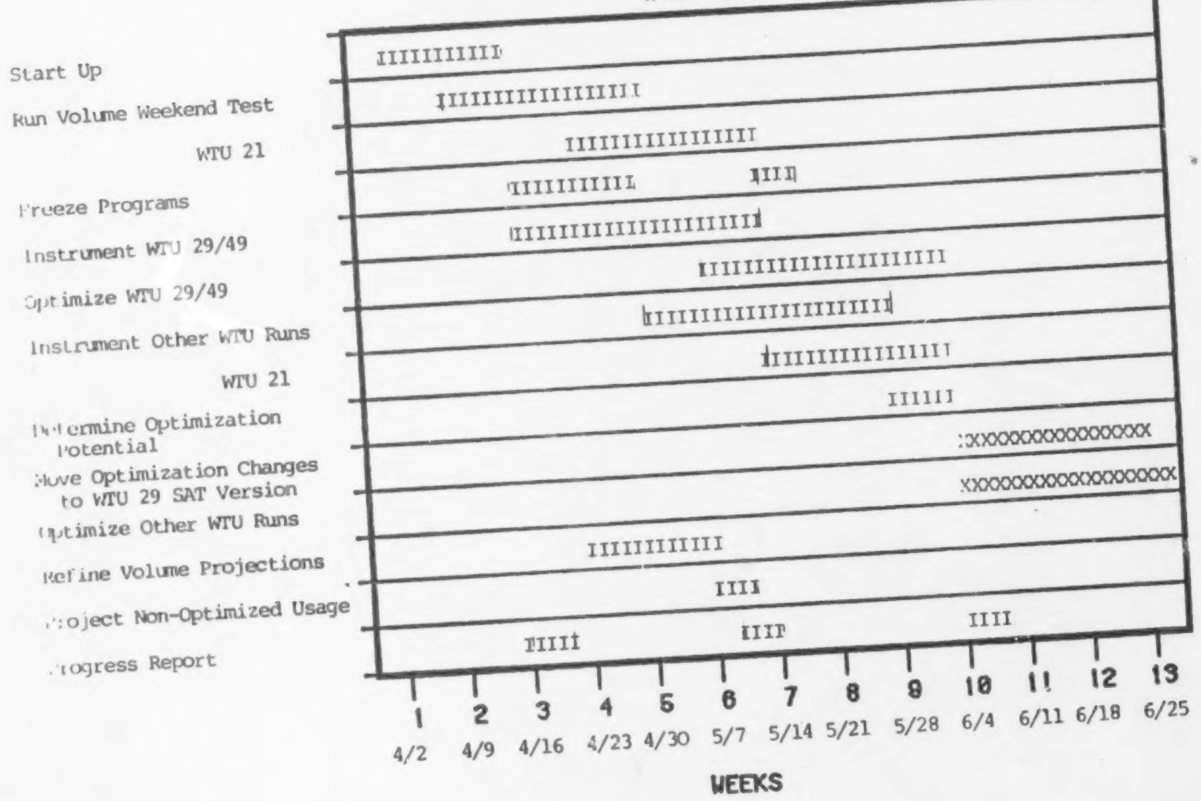
A meeting was held April 2, 1984, with representatives from D:C:H and D:C:S to discuss the D:C:H:P projection that Phase III SCRS weekend programs will use 170 to 200 percent of available weekend capacity at Fresno Service Center in 1985. It was decided that a joint working committee would be assembled to accomplish (if possible) sufficient workload reduction via program optimization.

This first report consists of attached project prospectus. It is the intent of this project to determine by early June 1984 whether or not optimization can sufficiently reduce workload and to determine the resources/time necessary to accomplish that optimization.

Attachments

WEEKEND OPTIMIZATION PROJECT

WTU RUNS



Weekend TIF Update Optimization Project

D:C:H:P has been (is) conducting a study as to the capacity of SCRS to handle 1985 workload. Based on the results of this ongoing study and other inputs, various actions such as:

1) the movement of GMF01 to DIS (before 1985),

2) the procurement of the maximum CPU configuration for the UNIVAC 1180 (increase to four CPU from original two), and

3) the initiation of procurement of UNIVAC 1190 systems (2 year procurement) are occurring. Furthermore, it was decided to perform volume tests of Phase III weekend processsing ASAP in lieu of the fact capacity saturation (98%) was predicted based on Phase II programs (estimate was known to predict bottom line--low side utilization). Incomplete results (four major programs out of 12 were not run) of this test already project an increase of 70% beyond the Phase II based estimate.

Clearly, we do not have the capacity to implement Phase III Weekend TIF Update (WTU) processing without:

1) reducing workload

    a. via program optimization

    b. file size reduction

and/or

2) increasing weekend capacity

    a. more CPU power (1190)

    b. increasing processing hours (4 or 3 day real time).

A meeting was held 4/2/84, with representatives from D:C:H and D:C:S. It was tentatively decided that:

1) A joint working committee would be assembled to accomplish (if possible) sufficient workload reduction via program optimization.

2) Postponement of SCRS Phase III hub installation at MSC 2 months (end of May to the end of July).

3) Sufficient priority would be given to the project such that a realistic projection of optimization potential could be determined by June.

The following is a timetable of events and a description thereof:

Event		Start	Duration
1	Start Up	Week 1	2 weeks

Initial committee meetings
Establishment of responsibilities
Manpower estimates
Review of this prospectus
Evaluation of computer resource needs

2 Run Volume Test Week 2 3 weeks

Establish files, ECL, program correction necessary to establish representative weekend WTU runs. Each run set up will be established so that it is repeatable without coordination with programmer.

WTU21 Week 4 3 weeks

Part of event 2 delayed because of Phase III program unavailability and establishment of data base.

3 Freeze Programs Week 3 3 weeks

Program, maps, ECL etc., to separate files for subsequent testing, instrumentation and optimization passes.

4 Instrument WTU29/49 Week 3 4 weeks

Analyze COBOL Instrumentation Package (CIP) of Phase II WTU29 run at CSC 4/8/84. Instrument Phase III WTU29 and analyze. Also, use elimination method if applicable. Instrument Phase III WTU49 and analyze, particularly look for high use common code between 29 and 49.

5 Optimize WTU29/49 Week 6 4 weeks

Apply optimization changes and rerun weekend volume test. Re-instrument if necessary.

6 Instrument other WTU Runs Week 5 4 weeks

Apply CIP to other WTU runs in order of CPU resource utilization (highest to lowest). Use elimination process of applicable. Analyze, particularly with respect to known potential optimization areas established by WTU29 optimization effort.

WTU21 Week 7 3 weeks

Part of event 6 but delayed because of Phase III

program unavailability.

7 Determine Optimization Potential Week 9 1 week

After this evaluation we should be able to predict whether optimization of WTU programs will result in a sufficiently reduced workload to run on the UNIVAC 1184 system within the weekend (48 hours). We should be able to set a timetable for optimization of the rest of the WTU programs.

8 Refine Volume Projections Week 4 2 weeks

Refine volumes for different WTU runs for FSC and MSC so as to accurately predict capacity utilization at these sites when Phase III is implemented.

9 Project Non-Optimized Usage Week 6 3 days

Reproject WTU workload after truly characteristic weekend test and refinement of volumes. This projection will be based on non-optimized WTU runs. This will establish the base workload size that must be reduced.

10 Progress Report 1 Week 3 3 days

This report will consist of the delivery of this project prospectus to D:C:H and D:C:S directors.

Progress Report 2 Week 6 1/2 3 days

Progress to date. Projection of WTU workload if programs are not optimized (event 9).

Progress Report 3 Week 10 3 days

Progress to date. Presentation of optimization potential. Recommendation to optimize or not, and tentative timetable if optimization will reduce workload sufficiently to allow Phase III WTU to run within UNIVAC 1184 weekend capacity (48 hours). Discussion of other alternatives.

The following is an approximation of the staffing necessary over the 10 weeks. A working committee of representatives of D:C:H and D:C:S will form the nucleus of staff necessary. Representatives are:

Name	Org	Telephone	Time
Roger Howard, Chairperson	D:C:H:P	756-6541	10%
Jack Rogers	D:C:H:P	756-6577	50-75%
Robert Bogusky	D:C:H:P	756-6581	75%
Bob Grossman	D:C:H:S	756-6377	20%
Dale Brennerman	D:C:H:S	756-6377	75%
John Fay	D:C:S:S	566-8373	10-20%
Tom Berkowitz	D:C:S:S	566-8373	25-50%
Tom Lucas	D:C:S:S	566-9444	10-20%
E-Kay Leu	D:C:S:S	566-9447	75%
Bob McGarry	D:C:S:D	566-9470	30%
Bob Granruth	D:C:S:D	566-7413	75%

It is also estimated that each of the following section supervisors in D:C:S:D will be involved:

Kathleen Wolfinger	D:C:S:D	566-9059	10%
Dave Perry	D:C:S:D	566-7228	10%
Alan Field	D:C:S:D	566-5343	10%

Furthermore, it is estimated the following involvement of D:C:S:D programmers will be necessary:

Volume Test*	WTU10/30	1 staff week
	WTU19/39, 20/40	1 staff week
	WTU23/43	2 staff weeks
	WTU25/45, 27/47	1 staff week
	WTU21	2 staff weeks

Instrumentation*	WTU10/30	1 staff week
	WTU19/39	1 staff week
	WTU20/40	1 staff week
	WTU23/43	1 staff week
	WTU25/45	1 staff week
	WTU27/47	1 staff week
	WTU21	2 staff weeks

*It is expected that Bob Granruth will provide program support for all events concerning WTU29/49.

No estimates are given at this time for program support necessary to implement optimization, rerunning of volume test or final incorporation of changes into SAT version WTU programs.

Responsibilities:

D:C:H:P

Overall direction

Collection/Analysis of Information

Generation of Progress Reports

Projections

Control Running of Jobs

Participation in Optimization

D:C:H:S

Instrumentation of Programs

Analysis of instrumentation

Participates in optimization attempts

D:C:S:S

Provides computer time

Provides file space

Control of Files, Tapes, Backup

Isolation of source, maps, ECL etc. in Library

DMR Generation

Schema Generation

Analysis of DMS utilization

Optimization of system software if applicable

D:C:S:D

Initial representative Run Test

Program Changes necessary for Instrumentation

Assistance in Instrumentation result analysis

Provides program description as needed

Assists in installing optimization attempts

Implements final optimization

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 ¶ A¶¶  B  ¶¶              C               ¶¶ D ¶¶  E  ¶¶    F ¶¶     G    ¶¶   H ¶¶   I ¶  J ¶¶    K ¶¶   L ¶¶     M ¶¶    N ¶¶O¶¶   P ¶¶    Q ¶¶    R ¶¶     S ¶
 1¶                                                                                                                     CPU
 2¶   JOB                                     SOURCE JOB INPUT RECORDS          SUPS USED                       RUN     RATE  EXPAND        PROJECTED SUPS USED         RUN
 3¶   NAME    DESCRIPTION                   PHASE TYPE       NUMBER  PROJECTED    CPU    I/O  CC/ER   TOTAL    TIME       MS  FACTOR         CPU     I/O   TOTAL     TIME
 4¶------------------------------------------------------------------------------------------ -----------------------------------------------------------------------------
 5¶   WTU90   SORT REFUND UPDATES           II   ACCTS      20,917    425,000   .005   .010   .011    .026    .093     .861   20.32        .102    .203    .528    1.890
 6¶   WTU92   REFUND UPDATE                 II   ACCTS      20,917    425,000   .034   .530   .026    .590    .507    5.852   20.32        .691  10.769  11.988   10.301
 7¶WEEKLY REFUND TIF UPDATE                                                     .039   .540   .037    .616    .600                         .792  10.972  12.516   12.191
 8¶
 9¶   KIF31   FORMAT TIF NAF INFO FOR KIF   II   ACCTS     255,224    255,224   .274   .087   .057    .418   1.222    3.865    1.00        .274    .087    .418    1.222
10¶   KIF33   UPDATE SKIF                   II   ACCTS      89,575     89,575   .121  2.039   .120   2.280   2.084    4.863    1.00        .121   2.039   2.280    2.084
11¶   KIF35   UPDATE EKIF                   II   ACCTS     166,031    166,031   .195  2.076   .116   2.387   2.266    4.228    1.00        .195   2.076   2.387    2.266
12¶WEEKLY KIF UPDATE                                                            .590  4.202   .293   5.085   5.572                         .590   4.202   5.085    5.572
13¶
14¶   WTU05   SORT/SEPARATE TIF TRANSFERS   II                 194        194   .001   .001   .017    .019    .034   18.557    1.00        .001    .001    .019     .034
15¶   WTU10   SEPARATE ITIF UPDATES         III  ACCTS      87,263    694,534   .633   .384   .056   1.073   1.108   26.114    7.96       5.038   3.056   8.540    8.819
16¶   WTU16   SORT ITIF CHANGES             II    MODS       4,176     34,814   .010   .021   .014    .045    .077    8.621    8.34        .083    .175    .375     .642
17¶   WTU30   SEPARATE BTIF UPDATES         III  ACCTS      73,552    270,949  1.081   .587   .082   1.750   1.881   52.910    3.68       3.982   2.162   6.447    6.929
18¶   WTU36   SORT BTIF CHANGES             II    MODS       1,861      2,489   .004   .011   .013    .028    .041    7.738    1.34        .005    .015    .037     .055
19¶   WTU50   SEPARATE ZTIF UPDATES         II    MODS         692     42,882   .002   .005   .018    .025    .046   10.405   61.97        .124    .310   1.549    2.851
20¶   WTU56   SORT ZTIF CHANGES             II    MODS           9        122   .000   .003   .012    .015    .047     .000   13.56        .000    .041    .203     .637
21¶PRE-WEEKEND TIF PROCESSING                                                  1.731  1.012   .212   2.955   3.234                        9.234   5.760  17.171   19.966
22¶
23¶   WTU17   ITIF ACCOUNT MERGE            II    MODS       4,176     34,814   .059   .234   .019    .312    .294   50.862    8.34        .492   1.951   2.601    2.451
24¶   WTU18   ITIF TRANSFER IN              II   NO DATA         1          1                        .000             .000    1.00        .000    .000    .000     .000
25¶   WTU19   ITIF UPDATE                   II    MODS     355,625  1,438,084  2.299  3.998   .246   6.543   9.226   23.273    4.04       9.297  16.167  26.459   37.308
26¶   WTU20   ITIF ACCOUNT ANALYSIS         III  ACCTS     113,907  2,284,379   .612   .557   .055   1.224   1.309   19.342   20.05      12.274  11.171  24.547   26.252
27¶   WTU23   ITIF TDA ANALYSIS             III  ACCTS      91,192    325,212  2.826   .698   .051   3.575   4.016  111.562    3.57      10.078   2.489  12.749   14.322
28¶   WTU25   ITIF TDI ANALYSIS             III  ACCTS      18,146    120,539   .305   .585   .030    .920    .742   60.509    6.64       2.026   3.886   6.111    4.929
29¶   WTU27   ITIF TDA/TDI REPORT EXTRACT   III  ACCTS     113,907    891,501   .506   .672   .042   1.220   1.195   15.992    7.83       3.960   5.259   9.548    9.353
30¶   WTU29   ITIF POST UPDATE ANALYSIS     III  ACCTS     113,907  2,284,379  2.502   .904   .093   3.499   3.981   79.075   20.05      50.177  18.130  70.172   79.838
31¶WEEKLY ITIF UPDATE                                                          9.109  7.648   .536  17.293  20.763                       88.304  59.053  152.19  174.453
```

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 ¶ A¶¶  B  ¶¶              C              ¶¶ D ¶¶ E ¶¶   F ¶¶    G    ¶¶ H ¶¶  I ¶  J ¶¶  K ¶¶  L ¶¶   M ¶¶   N ¶¶O¶¶  P ¶¶  Q ¶¶  R ¶¶   S '
 1¶                                                                                                              CPU
 2¶   JOB                                    SOURCE JOB INPUT RECORDS          SUPS USED                   RUN    RATE  EXPAND    PROJECTED SUPS USED        RUN
 3¶   NAME     DESCRIPTION                   PHASE  TYPE    NUMBER PROJECTED    CPU    I/O  CC/ER  TOTAL   TIME      MS  FACTOR        CPU    I/O  TOTAL     TIME
 4¶------------------------------------------------------------------------------------------  ------------------------------------------------------------------------
32¶
33¶   WTU37    BTIF ACCOUNT MERGE            II     MODS     1,861     2,489   .003   .020   .013   .036   .028   5.803    1.34       .004   .027   .048     .037
34¶   WTU38    BTIF TRANSFER IN              II      SECTS .   194       194   .001   .005   .010   .016   .015  18.557    1.00       .001   .005   .016     .015
35¶   WTU39    BTIF UPDATE                   II     MODS   188,575   871,238  1.126  1.463   .107  2.696  4.435  21.496    4.62      5.202  6.759 12.456   20.490
36¶   WTU40    BTIF ACCOUNT ANALYSIS         III   ACCTS    93,878   849,776   .482   .489   .051  1.022  1.128  18.484    9.05      4.363  4.426  9.251   10.211
37¶   WTU43    BTIF TDA ANALYSIS             III   ACCTS    43,267   113,262  1.925   .630   .045  2.600  2.949 160.168    2.62      5.039  1.649  6.806    7.720
38¶   WTU45    BTIF TDI ANALYSIS             III   ACCTS    11,174   125,637   .315   .463   .031   .809   .796 101.486   11.24      3.542  5.206  9.096    8.950
39¶   WTU47    BTIF TDA/TDI REPORT EXTRACT   III   ACCTS    93,878   477,798   .466   .625   .037  1.128  1.077  17.870    5.09      2.372  3.181  5.741    5.481
40¶   WTU49    BTIF POST UPDATE ANALYSIS     II     MODS   889,765 2,740,273  4.025  3.527   .224  7.776 17.800  16.285    3.08     12.396 10.862 23.948   54.820
41¶WEEKLY BTIF UPDATE                                                      8.343  7.222   .518 16.083 28.228                    32.919 32.116 67.363  107.724
42¶
43¶   WTU57    ZTIF ACCOUNT MERGE            II     MODS         9       122   .001   .005   .012   .018   .010 400.000   13.56       .014   .068   .244     .136
44¶   WTU58    ZTIF TRANSFER IN              II    NO DATA       1         1                         .000           .000    1.00       .000   .000   .000     .000
45¶   WTU59    ZTIF UPDATE                   II     MODS     1,434    42,760   .006   .037   .014   .057   .068  15.063   29.82       .179  1.103  1.700    2.028
46¶   WTU60    ZTIF ACCOUNT ANALYSIS         II     MODS    84,492   134,490   .083   .076   .014   .173   .273   3.536    1.59       .132   .121   .275     .435
47¶   WTU63    ZTIF TDA ANALYSIS             II                  1         1                         .000           .000    1.00       .000   .000   .000     .000
48¶   WTU65    ZTIF TDI ANALYSIS             II                  1         1                         .000           .000    1.00       .000   .000   .000     .000
49¶   WTU67    ZTIF TDA/TDI REPORT EXTRACT   II                  1         1                         .000           .000    1.00       .000   .000   .000     .000
50¶   WTU69    ZTIF POST UPDATE ANALYSIS     II     MODS    84,492   134,490   .234   .104   .028   .366   .639   9.970    1.59       .372   .166   .583    1.017
51¶WEEKLY ZTIF UPDATE                                                       .324   .222   .068   .614   .990                      .697  1.458  2.802    3.615
52¶
53¶   AMS31    SORT AIMS UPDATES             II    ACCTS    20,136    20,136   .035   .061   .024   .120   .141   6.257    1.00       .035   .061   .120     .141
54¶   WTU21    AIMS ANALYSIS/REPORT EXTRACT  II    ACCTS   481,945   628,797  5.202  2.387   .310  7.899  9.501  38.858    1.30      6.787  3.114 10.306   12.396
55¶WEEKLY AIMS ANALYSIS                      II                                    5.237  2.448   .334  8.019  9.642                     6.822  3.175 10.426   12.537
56¶------------------------------------------------------------------------------------------  ------------------------------------------------------------------------
57¶TOTAL WEEKLY KIF AND TIF UPDATE PROCESSING                                     25.37  23.29   2.00  50.67  69.03                    139.36 116.74 267.55   336.06
```

```
   ¶       A       ¶¶                   B                 ¶¶   C  ¶
  1¶AIMS SOURCE DATA AND PROJECTIONS ********************
  2¶
  3*        678,673 AIMS ACCOUNTS 8345             WTU21
  .         590,387   ON ITIF
  5.         77,348   ON BTIF
  6¶         10,938   ON ZTIF
  7¶          .8699 ITIF/TOTAL
  8¶          .1140 BTIF/TOTAL
  9¶          .0161 ZTIF/TOTAL
 10¶         20,136 AIMS UPDATES 8345              AMS31
 11¶
 12¶        817,436 AIMS TAX MODULES 8324
 13¶         1.3000 AIMS TAX MODULES PER ACCOUNT
 14¶        628,797 AIMS ACCOUNTS 8324
 15¶          .0000 GROWTH FACTOR
 16¶        628,797 PROJECTED AIMS ACCOUNTS 1985 WTU21
 17¶        546,999   ON ITIF
 18¶         71,664   ON BTIF
 19¶         10,134   ON ZTIF
 20¶          .2700 MATCHING AIMS/IANF
 21¶          .3600 MATCHING AIMS/BANF
 22¶          .0900 MATCHING AIMS/CANF+BANF
 23¶        399,309 NEW ACCOUNTS ON ITIF
 24¶         45,865 NEW ACCOUNTS ON BTIF
 25¶          9,222 NEW ACCOUNTS ON ZTIF
 26¶          .0297 AIMS UPDATE FACTOR
 27¶          8,656 PROJECTED AIMS UPDATES
 28
```

```
   ¶       A       ¶¶                   B                 ¶¶   C  ¶
 9¶ITIF SOURCE DATA AND PROJECTIONS ********************
 0¶
 1¶      1,657,881 TIF ACCOUNTS 8345
 2¶        756,145 TAX MODULES
 3¶      2,414,026 ENTITY AND TAX MODULES          WTU20
 4¶                SECTIONS
 5¶        292,997 UPDATE ACCOUNTS
 6¶         21,389 UPDATE AIMS TAX MODULES
 7¶        314,386 UPDATE ENTITY/TAX MODULES       WTU13
38¶      1,253,799 UPDATE SECTIONS
39¶         41,239 NAF DELETES                     WTU11
40¶          1,799 ENTITY/TAX MODULE CHANGES       WTU16
41¶
42¶      1,391,280 IANF ACCOUNTS 8322
43¶        399,309 NEW ACCOUNTS FROM AIMS
44¶         67,929 NEW ACCOUNTS FROM DIRF
45¶                NEW ACCOUNTS FROM URP
46¶          .1000 GROWTH FACTOR
47¶      2,044,370 PROJECTED TIF ACCOUNTS 1985
48¶          .1174 NEW ACCOUNTS/FILE SIZE FACTOR
49¶      2,284,379 ACCOUNTS TO WEEKLY ANALYSIS
50¶         1.1207 TAX MODULE/ACCOUNT FACTOR
51¶      4,844,483 ENTITY AND TAX MODULES          WTU20
52¶            N/A SECTIONS PER ACCOUNT
53¶            N/A TOTAL SECTIONS
54¶          .3317 UPDATE/FILE SIZE FACTOR
55¶        678,118 ACCOUNT UPDATES
56¶      1,438,084 ENTITY/TAX MODULE UPDATES       WTU13
57(            N/A UPDATE SECTIONS
58(          .0080 CHANGE/FILE SIZE FACTOR
59¶         16,416 ACCOUNT CHANGES
60¶         34,814 ENTITY/TAX MODULE CHANGES       WTU16
61¶            N/A CHANGE SECTIONS
62¶
```

```
63¶          .4250 TDA FACTOR
64¶        650,423 TDA/NOTICE ACCOUNTS
65¶          .5000 TDA SELECTION FACTOR
66¶        325,212 TDA/NOTICE ACCOUNTS SELECTED WTU23
67¶          .1087 TDI FACTOR
68¶        241,077 TDI/NOTICE ACCOUNTS
69¶          .5000 TDI SELECTION FACTOR
70¶        120,539 TDI/NOTICE ACCOUNTS SELECTED WTU25
71¶        891,501 TDA/TDI/NOTICES FOR REPORTS  WTU27
72¶


        A       ¶¶                  B                 ¶¶   C  ¶
¶BT    ATA SOURCE AND PROJECTIONS *********************
¶
¶          739,244 TIF ACCOUNTS 8345
¶          120,343 TAX MODULES
¶          859,587 ENTITY AND TAX MODULES         WTU40
¶              N/A SECTIONS
¶          159,965 UPDATE ACCOUNTS
¶            5,335 UPDATE AIMS TAX MODULES
¶          165,300 UPDATE ENTITY/TAX MODULES      WTU33
¶           23,275 NAF DELETES                    WTU31
¶          665,903 UPDATE SECTIONS
¶              499 ENTITY/TAX MODULE CHANGES      WTU36
¶
¶          657,506 BANF ACCOUNTS 8322
            45,865 NEW ACCOUNTS FROM AIMS
            35,321 NEW ACCOUNTS FROM DIRF
                   NEW ACCOUNTS FROM URP
             .1000 GROWTH FACTOR
¶          812,561 PROJECTED TIF ACCOUNTS 1985
¶            .0458 NEW ACCOUNTS/FILE SIZE FACTOR
¶          849,776 ACCOUNTS TO WEEKLY ANALYSIS
¶           2.2247 TAX MODULE/ACCOUNT FACTOR
¶        2,740,273 ENTITY AND TAX MODULES         WTU40
¶              N/A SECTIONS PER ACCOUNT
7¶             N/A TOTAL SECTIONS
¶            .3325 UPDATE/FILE SIZE FACTOR
¶          270,177 ACCOUNT UPDATES
¶          871,238 ENTITY/TAX MODULE UPDATES      WTU33
¶              N/A UPDATE SECTIONS
¶            .0010 CHANGE/FILE SIZE FACTOR
¶              772 ACCOUNT CHANGES
¶            2,489 ENTITY/TAX MODULE CHANGES      WTU36
¶              N/A CHANGE SECTIONS
¶
7¶           .3132 TDA FACTOR
3¶         226,524 TDA/NOTICE ACCOUNTS
9¶           .5000 TDA SELECTION FACTOR
¶          113,262 TDA/NOTICE ACCOUNTS SELECTED WTU43
¶            .2937 TDI FACTOR
2¶         251,274 TDI/NOTICE ACCOUNTS
3¶           .5000 TDI SELECTION FACTOR
4¶         125,637 TDI/NOTICE ACCOUNTS SELECTED WTU45
5¶         477,798 TDA/TDI/NOTICES FOR REPORTS  WTU47
5¶
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  ¶    A    ¶¶              B             ¶¶  C ¶
7¶ZTIF DATA SOURCE AND PROJECTIONS *********************
8¶
9¶         67,420 TIF ACCOUNTS 8345
0¶         17,072 TAX MODULES
1¶         84,492 ENTITY AND TAX MODULES       WTU60
2¶            N/A SECTIONS
3¶            673 UPDATE ACCOUNTS
4¶             10 UPDATE AIMS TAX MODULES
5¶            683 UPDATE ENTITY/TAX MODULES    WTU53
26¶           751 NAF DELETES                  WTU51
27¶         2,509 UPDATE SECTIONS
28¶             9 ENTITY/TAX MODULE CHANGES    WTU56
29¶
30¶        11,829 CANF ACCOUNTS 8325
31¶        34,862 PANF ACCOUNTS FROM 8325
32¶         9,222 NEW ACCOUNTS FROM AIMS
33¶               NEW ACCOUNTS FROM DIRF
34¶               NEW ACCOUNTS FROM URP
35¶         .1000 GROWTH FACTOR
36¶        61,504 PROJECTED TIF ACCOUNTS 1985
37¶         .0458 NEW ACCOUNTS/FILE SIZE FACTOR
38¶        64,321 ACCOUNTS TO WEEKLY ANALYSIS
39¶        1.3000 TAX MODULE/ACCOUNT FACTOR
40¶       147,939 ENTITY AND TAX MODULES       WTU60
1¶            N/A SECTIONS PER ACCOUNT
2¶            N/A TOTAL SECTIONS
3¶          .3325 UPDATE/FILE SIZE FACTOR
44¶        20,450 ACCOUNT UPDATES
45¶        47,035 ENTITY/TAX MODULE UPDATES    WTU53
6¶            N/A UPDATE SECTIONS
7¶          .0010 CHANGE/FILE SIZE FACTOR
48¶            58 ACCOUNT CHANGES
49¶           134 ENTITY/TAX MODULE CHANGES    WTU56
50¶           N/A CHANGE SECTIONS
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4 JUN 1984

Director, Hardware Division D:C:H

Roger D. Howard

Chief, ADP Performance Evaluation Staff D:C:H:P

Implications of SCRS Phase III at MSC

Recently the question arose of whether we need to brief MSC and SER management on probable negative impact of Phase III implementation. In short, I believe they should be briefed as soon as possible. We should tell them what they may expect to contend with for possibly several months--a three day weekend. The results of my calculations are below. I stress they are my calculations based on Jack's spread sheet for 1985 FSC and Bob's file sizes for each service center by month. My assumption, which seems realistic considering progress to date, is that only run WTU29 will be optimized by MSC implementation and that it will be reduced by 40%.

	CPU SUP HOURS	
Cycle	Needed	Available
8430	115.15	100.00
8434 thru 8443	106.93	100.00

The 100 hours available assumes 5% rerun, 5% downtime, and no unknown, local, or housekeeping work. In my opinion, rerun time may easily exceed 5% in a pilot situation. We can hope that downtime will be minimal. Unkown work is exactly that but should certainly be of lesser priority than the core of the weekend. Local programs should be able to be deferred out of prime weekend time, at least temporarily. System housekeeping will always be present and mandatory, probably more so in a pilot. The net result is indeterminable except by assuming values for these unkowns. With an educated guess, I would predict that processing necessary to bring up real time and reasonably provide weekend outputs to cutomers will not be completed before Monday afternoon.

Senator SPECTER. Commissioner Egger, let me touch for a moment on a subject that has received widespread notoriety, and this relates to the destruction of documents and shredding of documents, that you were quoted with respect to one specific document, and this transcript, is not yet printed. There is an unofficial transcript from June 23, but all I have are newspaper quotes on this, and the Washington Post reported on November 5, 1985, a quote on April 10 of this year, he, referring to you, Commissioner, called allegations of return shredding at the Philadelphia Service Center sheer nonsense.

There have been quite a number of reports, one from the Washington Monthly, September 1985, which refers to no fewer than 27,000 tax returns improperly shredded at the Philadelphia center. The mayhem was not by any means limited to the City of Brotherly Love, because the IRS center at Fresno, CA, officials admitted that in mid-May workers had shredded 50,000 letters from people trying to resolve tax problems, and another 60,000 were destroyed at the Austin, TX, center. The Post article on November 5 refers to allegations concerning 92 tax returns that were tossed into a wastebasket in Philadelphia. Inappropriately discarded in Austin, six amended 1040 forms, placed amended Form 1040 in a burn bag in Kansas City. And the question I have, and then we may be able to supplement it at a later hearing, and may be able to deal with it specifically on the record, is what investigation has IRS conducted on these allegations?

I am sure they have been called to your attention many times, and what are your findings?

Commissioner EGGER. First off, I would like to deal with the quote, because what I referred to as sheer, utter nonsense, if that was the correct quote, was an allegation that there had been some 20-plus thousand income tax returns shredded in the Philadelphia Service Center, and I did not believe that then and I do not believe that now. And that is why I responded the way I did. I have had our internal security people follow up on every single one of these allegations. We have pursued them, and in a few instances where we found people in violation and illegally destroying documents, they have been dealt with in accordance with the appropriate legal procedures.

Senator SPECTER. Were they prosecuted criminally?

Commissioner EGGER. Yes; some of those investigations are still under way, and we have heard that there were prosecutions.

Senator SPECTER. Would you furnish documents showing investigations on these matters, at least the ones that are concluded?

Commissioner EGGER. Yes; I think that the ones that are completed, we can supply that information. The ones that are concluded.

Now, there may be some information in the one or two U.S. Attorney's offices in matters where there is either prosecution pending——

Senator SPECTER. We would not ask yor for anything which has been referred to the U.S. Attorney. Short of that, if you would be willing to provide the subcommittee with those documents.

Commissioner EGGER. Yes, sir.

[Material submitted for the record follows:]

Incidents of Alleged Improper Destruction of IRS Documents (1/84-11/85)

We have reviewed our records and have determined that 43 separate incidents of alleged and/or actual improper destruction of tax returns and taxpayer correspondence have been reported. These incidents, occuring since January 1984, have been summarized on the attached pages and do not include any information which could not be released publicly.

Our investigations showed that in a majority of these incidents, no tax returns or documents were actually destroyed. Incident #13 concerns an employee who willfully and improperly destroyed tax returns which resulted in her removal from the Service and subsequent prosecution. Incident #9 involves a former IRS supervisor who ordered the destruction of 4,000-6,000 business requests for adjustments to their accounts. This employee resigned and our referral to the U.S. Attorney's office is pending a prosecutive opinion. Incident #31 relates to a former mail clerk who pled guilty to embezzling four tax remittances and destroying the tax returns associated with these remittances. Seven other incidents involved improper or accidental destruction of various documents which we have substantially recreated. These incidents were administratively adjudicated by IRS management.

Actual documents have not been provided at this time because of the volume. We will be happy to work with the committee staff to provide information on any specific cases the committee wants to explore further.

Incident #1

Location: Central Region, Cincinnati Service Center
Date: 4/9/85
Allegation: Tax Examiner Assistant destroyed transcripts for production reasons. Internal Revenue Service employee saw subject put papers in trash can and, upon searching trash, discovered 20 transcripts of taxpayer accounts.
Results of Inquiry: Investigation disclosed all but 7 transcripts properly worked. Recovered items subsequently worked. No evidence developed that any records were destroyed. Employee removed from Service.

Incident #2

Location: Central Region, Cincinnati Service Center
Date: 5/85
Allegation: Possible destruction of tax returns by unknown Internal Revenue Service employee.
Results of Inquiry: Over 4-week period, 13 original tax returns found in trash containers designated for shredding. Investigation did not identify employees responsible. In 6/85, 3 additional Form 1040s (Individual Tax Return) were found as well as remittance check. Recovered documents were processed. No indication that the returns were willfully placed in trash or that any tax returns or tax documents were destroyed. Investigation closed because no further logical leads existed.

Incident #3

Location: Central Region, Indianapolis District
Date: 7/84
Allegation: Chief, Centralized Services Branch, allegedly improperly destroyed returns or documents.
Results of Inquiry: Investigation disclosed no proof of improper destruction of any material. The subject actually only changed control cards to make inventory appear current.

Incident #4

Location: Central Region, Cincinnati District
Date: 4/26/85
Allegation: Notice 54 (Refund Check Notice) returned to IRS with handwritten reference of computer mistake and reporting destruction of refund check.

Results of Inquiry: Computer printout verified that refund was issued. Investigation disclosed that note was a joke by father on daughter, neither is an IRS employee. Father received the notice at his residence (daughter's former residence), opened the notice and wrote the note as a joke, then forwarded mail to daughter.

Incident #5

Location: Central Region, Cleveland District
Date: 4/26/85
Allegation: Special Procedures Function clerk stated that if she could not complete her work, she would "Pitch It".

Results of Inquiry: Investigation revealed employee stated she may have said it in jest but denied she had destroyed any documents of any type. Investigation did not reveal any indications of improper destruction.

Incident #6

Location: Central Region, Cincinnati Service Center
Date: 4/85
Allegation: Taxpayers had recently called IRS about their refunds and were told that they had been shredded.

Results of Inquiry: Investigation revealed that one taxpayer was told by IRS Computer Operator that his refund check was probably "jammed up" in the computer backlog. In a second incident, second-hand information was received that taxpayer had been told her refund was shredded. Taxpayer stated she was actually told refund would be late due to processing difficulties. Investigation did not reveal any indications of improper destruction.

Incident #7

Location: Central Region, Cincinnati Service Center
Date: 4/85
Allegation: Rumor heard by employee that someone found tax returns in dumpster.

Results of Inquiry: Investigation revealed two Form 1040 returns found in trash to be shredded during 4/85. Both returns had been processed and were forwarded to records center. Returns were apparently placed in trash by mistake. Investigation did not identify any instances of improper destruction of tax returns or documents.

Incident #8

Location: Southwest Region, El Paso, Texas.
Date: 7/19/85
Allegation: TV Channel 4, El Paso, Texas, reported discarded IRS records found in dumpster where TV station is located.

Results of Inquiry: The discarded documents belonged to the El Paso Law Enforcement Information Center (EPIC), which shares building with Channel 4. EPIC received assistance from the Ogden Service Center in prior years to process computerized law enforcement records, therefore, documents bore notation indicating they were processed at Ogden Service Center. TV report was false.

Incident #9

Location: Southwest Region, Austin Service Center
Date: 1/9/85
Allegation: Business Master File Adjustments Manager directed employees to destroy correspondence on cases with no tax due.
Results of Inquiry: Approximately 4,000 to 6,000 adjustment cases were destroyed and tax documents were refiled without normal quality review. Employee denied falsifying documents or destroying documents with balances due. Employee resigned 1/85, after confrontation by management. Investigation revealed that destroyed cases would have been treated in a similar fashion after quality review if shortcuts had not been taken. Employee indicated that no tax return or tax documents were destroyed. Investigation did not identify any indications of improper destruction of tax returns.

Incident #10

Location: Southwest Region, Austin Service Center
Date: 4/30/85
Allegation: Branch Chief, during review of underreporter section, told employee that correspondence contained in agreed files should be destroyed.
Results of Inquiry: Employee retrieved the correspondence and reported matter to Inspection. Inspection inquiry determined that no documents were found to be destroyed. When interviewed, Branch Chief stated his actions were based on instructions from the National Office. Internal Audit is currently reviewing instructions to determine proper procedures in the handling of such correspondence.

Incident #11

Location: Southwest Region, Austin Service Center
Date: 10/5/84
Allegation: Confidential source alleges that employees in Collection Branch destroyed taxpayer correspondence to increase production records.
Results of Inquiry: During investigation, approximately 60 items were selected for review and determination as to whether they were properly processed by the Collection Branch. All but three appeared to have been handled properly. These documents included a Form 1120 (Corporation Income Tax Return), a copy of a Form 1040 tax return, and a credit transfer request. All three items were subsequently properly processed. No evidence was found to indicate that those items were discarded intentionally or that any improper destruction had occurred.

Incident #12

Location: Southwest Region, Austin Service Center
Date: 5/13/85
Allegation: Documents found in trash at Austin Service Center. Tax Examiner overheard cleaning personnel discussing items found in trash containers.
Results of Inquiry: Documents included Form 1040s (Individual Tax Return), remittance documents, accelerated payment documents, payment posting documents and applications for extension. Checks of computer files disclosed no adverse effect on any taxpayer. No indication that these documents were willfully placed in trash or that any tax returns or tax documents were destroyed.

Incident #13

Location: North Atlantic Region, Andover Service Center
Date: 4/9/85
Allegation: Tax Examiner, Miscellaneous Unit, Processing Section, allegedly took home batches of corporate tax returns, Forms 1120 and 1120X, and these returns were not returned to the Service Center.

Results of Inquiry: Tax Examiner initially denied any wrongdoing; however, during pre-test phase of polygraph exam, she admitted that she had destroyed an estimated 200 Forms 1120X (Amended Corporation Tax Return). She has been convicted of removal of records and perjury and has been terminated from IRS employment. It was not possible to determine identity of the corporations affected. The Service Center will honor documented claims that returns were previously filed that would have been reasonably a part of the documents destroyed.

Incident #14

Location: North Atlantic Region, Brookhaven Service Center
Date: 2/21/85
Allegation: Employee in Receipt and Control Branch placed Form 1040 Tax Returns in bin with discarded envelopes and placed bin in front of another employee.
Results of Inquiry: Supervisor checked the bin and found 42 tax documents, including five Form 1040 returns with checks attached. The checks totalled $1,908. When confronted, the employee admitted doing this to improve production statistics. The employee resigned on 2/22/85. All documents were subsequently processed. No indications were developed of other attempted or actual improper destruction of documents.

Incident #15

Location: North Atlantic Region, Brookhaven Service Center
Date: 2/85
Allegation: Employee, Notice Review Staff, placed unreviewed notices in the classified waste on multiple occasions.
Results of Inquiry: Employee was terminated on 5/13/85. All notices were retrieved before destruction and properly processed. No indications were developed of other attempted or actual improper destruction of documents.

Incident #16

Location: North Atlantic Region, Providence District
Date: 5/84
Allegation: Revenue Agent accidentally shredded tax return.
Results of Inquiry: Copies of transcript were obtained and data re-established. Taxpayer was not adversely affected by this accidental destruction.

Incident #17

Location: Midwest Region, Kansas City Service Center
Date: 3/19/85
Allegation: Fourth notices on a computer review notice register, dated 3/19/85, had been placed in a burn bag without Service Center Collection Branch doing proper follow-up actions per National Office instructions.
Results of Inquiry: Investigation could not substantiate the source of the documents. No indications were developed of other attempted or actual improper destruction of documents.

Incident #18

Location: Midwest Region, Kansas City Service Center
Date: 9/24/85
Allegation: Tax Examination Assistant threw 50-60 documents into burn bag.
Results of Inquiry: All documents recovered and processed. Matter handled administratively. Employee received a 10-day suspension. No indications were developed of other attempted or actual improper destruction of documents.

Incident #19

Location: Midwest Region, Chicago District
Date: 3/84
Allegation: Tax Technician took approximately 20 tax returns home because of insufficient time to work on them during the work day.
Results of Inquiry: When asked by supervisor, employee produced 46 returns (with workpapers) stating that he took them home to work on. No records were destroyed. Employee resigned.

Incident #20

Location: Midwest Region, Kansas City Service Center
Date: 10/26/84
Allegation: A Tax Examiner in the Adjustment Branch was observed throwing documents in the burn bag two days in a row after having been warned about it previously.
Results of Inquiry: All documents were recovered and processed. Employee resigned. No indications were developed of other attempted or actual improper destruction of documents.

Incident #21

Location: Midwest Region, Kansas City Service Center
Date: 2/20/85
Allegation: A clerk in the Examination Branch allegedly attempted destruction of IRS records in her custody by placing them in burn bag.
Results of Inquiry: Investigation disclosed that one tax return was placed in burn bag. It was recovered and processed. No other items in burn bag deemed to be there improperly. Management action against employee is pending. No indications were developed of other attempted or actual improper destruction of documents or tax returns.

Incident #22

Location: Midwest Region, Kansas City Service Center
Date: 8/84 and 10/85
Allegation: Employee allegedly took official documents home on two separate occasions.
Results of Inquiry: After first incident, employee stated he did not know it was against the rules. In 10/85, employee repeated action. No documents were lost or destroyed. Employee counseled by manager. No indications were developed of any attempted or actual improper destruction of documents.

Incident #23

Location: Mid-Atlantic Region, Richmond District
Date: 5/7/85
Allegation: Revenue Agent shredded documents which appeared to contain tax returns.
Results of Inquiry: Revenue Agent initially placed in non-work status because of mental problems and subsequently separated from IRS. Audit of inventory disclosed 3 tax returns of one taxpayer were missing and were apparently destroyed by employee. Copies of tax returns were secured from taxpayer. No further indications of improper destruction were uncovered.

Incident #24

Location: Mid-Atlantic Region, Philadelphia Service Center
Date: 4/26/85 - 4/30/85
Allegation: Janitorial employee reported finding tax returns and/or remittances in burn barrels.

Results of Inquiry: Service Center Management and Inspection determined that several trash barrels contained approximately 100 unprocessed documents and approximately $333,440 in remittances. Investigation disclosed no evidence as to who discarded the documents or that they were discarded willfully. All documents were correctly associated with taxpayers' files and necessary postings were made after recovery. No indications were developed indicating that any documents had been destroyed.

Incident #25

Location: Mid-Atlantic Region, Philadelphia Service Center
Date: 4/85
Allegation: Mail clerk continually discarded taxpayers' forms and checks in wastepaper baskets.
Results of Inquiry: Because of the allegation and her history of poor work habits, the intermittent (seasonal) mail clerk was the subject of management observation. The employee was counselled for discarding taxpayers' forms and checks in 4/85. Employee continued to discard various documents and was terminated in 6/85. All documents discarded were retrieved by management and properly processed. No indications were developed of any documents actually being destroyed.

Incident #26

Location: Mid-Atlantic Region, Philadelphia Service Center
Date: 7/26-30/84
Allegation: 92 processed tax returns found in trash receptacles in two women's restrooms in two separate incidents.
Results of Inquiry: Maintenance custodian found 35 Forms 1040 (Individual Tax Return) while emptying a trash container in first incident. Tax Examiner found 57 tax returns in second incident. Investigation could not substantiate the source of documents. All documents had been properly processed and all remittances were accounted for. No indications were developed that the tax returns were willfully discarded or that any returns or documents were actually destroyed.

Incident #27

Location: Mid-Atlantic Region, Philadelphia Service Center
Date: 3/19/85
Allegation: 50,000 tax returns allegedly destroyed at the Philadelphia Service Center.
Results of Inquiry: A Service Center official confirmed that this rumor has been circulating for years. Discussions with persons who had heard rumors confirmed no substance to it. Investigation closed because no one was able to furnish any evidence to suggest tax returns were destroyed.

Incident #28

Location: Mid-Atlantic Region, Philadelphia District
Date: 4/85
Allegation: Missing Criminal Investigation Division records - Diary, Grand Jury Files, etc.
Results of Inquiry: Special Agent lost or misplaced portion of an investigative file. Some of the file was able to be reconstructed. The investigation was eventually discontinued. The Special Agent was given a 14-day suspension for carelessness.

Incident #29

Location: Southeast Region, Jacksonville District
Date: 5/16/85
Allegation: Confidential source reported that Chief, Special Procedures Section, allegedly told his lien clerks that if taxpayer correspondence did not have sufficient information to resolve issue, to close it with no action. ("Close" means "Shred")
Results of Inquiry: Investigation into this matter disclosed that no documents were destroyed.

Incident #30

Location: Southeast Region, New Orleans District
Date: 10/84
Allegation: Four boxes of records related to an examination were temporarily stored in the Support Service Section pending shipment to Federal Records Center. When shipping time came, only two boxes could be located.
Results of Inquiry: Room used for storage had been cleaned up to set up new unit. A search of the area, including trash, did not uncover these records. These records related to an already completed examination, therefore, neither the taxpayer nor the Service were adversely affected by the loss, except that part of the history of the examination is no longer retrievable. No indication was developed that any intentional willfull destruction occurred.

Incident #31

Location: Southeast Region, Memphis Service Center
Date: 4/84
Allegation: Mail Clerk embezzled four tax remittances. In connection with these embezzlements, clerk destroyed the tax returns associated with these remittances.
Results of Inquiry: Mail Clerk pled guilty to embezzlement charges and reimbursed embezzled funds. Taxpayers' records were corrected to show appropriate credits. Taxpayers were not adversely affected. Investigation did not develop any indications of other improper destruction.

Incident #32

Location: Southeast Region, New Orleans District
Date: 10/84
Allegation: Office Audit group manager shredded an examination case file.
Results of Inquiry: Manager admitted shredding file for administrative purposes because the case did not merit examination. No tax documents were shredded. No action was taken against manager. No indications were developed of any other alleged improper destruction of documents.

Incident #33

Location: Southeast Region, Birmingham District
Date: 12/84 - 1/85
Allegation: Work Study employee picked up "In Box" instead of "Out Box" and accidentally shredded four tax returns.
Results of Inquiry: Matter was resolved by Examination Division by recreation of records from other copies within IRS, State of Alabama, or from taxpayers. No taxpayers suffered adversely because of this accidental destruction. No indications were developed of any other improper destruction of documents.

Incident #34

Location: Southeast Region, Jacksonville District
Date: Undated
Allegation: Open account records were found in wastebasket by Internal Revenue Service employees when office branch was phased out.
Results of Inquiry: Documents were recovered with no apparent adverse effect on any taxpayers. No indications were developed suggesting that records were willfully discarded or that any documents were improperly destroyed.

Incident #35

Location: Southeast Region, Greensboro District
Date: 1/84
Allegation: Revenue Officer embezzled funds from IRS. He was suspected of destroying tax returns secured from taxpayers.
Results of Inquiry: Destruction of documents was not proven. Employee was convicted of embezzlement and resigned 2/8/84.

Incident #36

Location: Western Region, Laguna Niguel District
Date: 3/19/85
Allegation: 40 mail bags containing tax returns and refund checks taken by IRS mail clerk.
Results of Inquiry: IRS management observed official mail in mail clerk's car. When confronted by management, subject resigned. During Inspection investigation, 40 U.S. Postal Service mail bags were surrendered or recovered containing over 11,000 pieces of mail, ($800,000 in remittances, original tax returns, and taxpayer correspondence). The subject stated he had no other bags of mail. Investigation did not reveal any indication of additional mail theft. Subject pled guilty to theft of mail and was criminally prosecuted 8/85. Taxpayers advised that their accounts were adjusted to reflect recovered documents. All information returned to system. No indications were developed of any destruction of tax returns or documents.

Incident #37

Location: Western Region, Fresno Service Center
Date: 12/84 - 2/85
Allegation: IRS employees at the Fresno Service Center were instructed by management to destroy 50,000 to 63,000 pieces of taxpayer correspondence received from business taxpayers concerning their Balance Due Notices thereby creating an appearance of increased productivity.
Results of Inquiry: Correspondence processing procedures were modified to reduce growing correspondence backlog. Modified procedures did not result in premature destruction of any taxpayer correspondence. Material was destroyed after cases closed and quality-reviewed. Modified procedures have been discontinued.

Incident #38

Location: Western Region, San Francisco District
Date: 4/85
Allegation: Search and Analysis Clerk, San Francisco, CA, improperly destroyed official documents.
Result of Inquiry: Subject stated that he only destroyed official documents under two circumstances, as he had been trained. Supervisors advised that they never instructed him to shred documents. Search of daily security waste revealed that no documents were found to be improperly discarded and no adverse effect to taxpayers.

Incident #39

Location: Western Region, San Francisco District
Date: 4/85
Allegation: Supervisor trainee, San Francisco, CA, destroyed official tax documents and failed to report destruction of documents by Search and Analysis Clerk.
Results of Inquiry: Subject denied all allegations of destroying cases and incoming mail and knowledge of any improper destruction by Search and Analysis Clerk. Check of security waste revealed no improperly discarded documents. No indications were developed suggesting that any improper destruction of tax documents occurred.

Incident #40

Location: Western Region, Laguna Niguel District
Date: 6/26/85
Allegation: Possible destruction of correspondence at Laguna Niguel IRS Office.
Results of Inquiry: Supervisor, Investigations Unit, spot-checked subordinates work and discovered 75 third-party responses to requests for information in shred bin. Subordinate accessed 12 accounts to input third party information, but did not input all necessary information. Subordinate denied putting letters in shred. All documents rechecked and missing data was properly entered into taxpayers' accounts. No evidence was developed indicating that correspondence was willfully or improperly discarded, or that any tax documents were destroyed.

Incident #41

Location: Western Region, San Francisco District
Date: 6/84
Allegation: NTEU Steward reported that Research Section Chief improperly shredded unworked taxpayer correspondence.
Results of Inquiry: When interviewed, subject denied participation in or knowledge of improper shredding. All shredding done in compliance with regulations. No indications developed of any improper destruction.

Incident #42

Location: Western Region, Laguna Niguel District
Date: 2/85
Allegation: Returned refund check and two tax returns were found in shred bin.
Results of Inquiry: Investigation determined this to be an isolated accidental incident. Check and returns were correctly processed.

Incident #43

Location: Western Region, Sacramento District
Date: 8/10/85
Allegation: Accidental destruction of 87 tax returns at Sacramento District.
Results of Inquiry: Clerk placed mailbag, which had been misrouted to her office, in hall area intending that mailbag be delivered to appropriate office. Mailbag was mistaken for trash and 87 tax returns were destroyed. These returns were destined to Examination Division as open examinations. Of the 87 scheduled examinations, 86 were completed using taxpayers' copies of their returns; the remaining examination was cancelled.

Mr. OWENS. Mr. Chairman, let me make one point. All those investigations are referred to the U.S. Attorney's Office if we find there is any evidence of criminal conduct, or the destroying of any documents.

Senator SPECTER. Our request is, will you let us have them all, unless the U.S. Attorney is considering prosecution? If the U.S.. Attorney has turned it down, if he has initiated prosecution, we would like to see them. The ones which would be excluded would be the ones where a decision has not been made by the U.S. Attorney's Office. Short of that, we would like to see them.

Mr. OWENS. Right.

Senator SPECTER. Mr. Egger, one report suggested that as much as 12 percent of Federal revenue was lost in the first 6 months of 1985 by the failure of these computers to function. Is that accurate?

Commissioner EGGER. I have no idea where that comes from, Senator Specter. I do not believe it, through.

Senator SPECTER. What losses, if any, have resulted from computers failing to function?

Commissioner EGGER. I doubt if there are any losses, other than the additional interest we have had to pay. But you might be referring to a report that appeared in the press some few weeks or months ago, in which it said that our collections were down 12 percent. The 12 percent triggers my recollection. In that case, that allegation was made to us by the reporter who wrote that story, and we told him that it was inaccurate because he said collections are down 12 percent. We corrected him and told him that total collections were in fact up, but that collections by revenue officers in the field were what he was referring to—our revenue officers who collect delinquent accounts. Those collections were down, and the reason they were down is because we were collecting the delinquent accounts before we had reached that stage of the process much faster, I think, due to the upturn in the economy. So our overall collections was significantly up, but he chose not to print that part of it.

Senator SPECTER. How much interest has been paid as a result of the late payment of refund?

Commissioner EGGER. We have paid this year so far about $47 million in interest on returns which were timely filed returns, and which we did not process within the 45-day period.

Senator SPECTER. $47 million in extra interest paid as a result of late refunds?

Commissioner EGGER. That is correct. Compared to $27 million last year.

Senator SPECTER. And what do you expect that figure to ultimately be, when you process all the late——

Commissioner EGGER. It is pretty well slowing down now. I do not expect it to get too much larger than that. There are other factors in there, such as the factor when you have a lot more refunds this year, and the refund dollars are higher and the refunds are higher, and so all those things get built into the fact that there are the higher amounts here.

Senator SPECTER. You are going to be changing your policy to process big refunds first?

Commissioner EGGER. Yes, and the reason for that is—although it makes quite a significant difference in the case of large refund amounts in the amount of interest, because if you miss a large refund, let us say a $100,000 refund one day, then you pay 46 days of interest on that large refund, so we were interested in the cash management side of it—because of the concern that somehow this is not——

Senator SPECTER. You should treat the little guy the same as the big guy.

Commissioner EGGER. Yes. So we are not going to follow that practice in the next year.

Senator SPECTER. What are you going to do about the availability of telephones? Many complaints come in about not being able to get through, and the reports were that there were only 53 telephone lines in Philadelphia to accommodate an estimated 40 to 50,000 calls a day.

My first question is, are those figures correct?

Commissioner EGGER. I cannot recall the number of telephones that were in. We can supply the precise information there.

[Information follows:]

PEAK NUMBER OF TELEPHONE LINES AVAILABLE IN PHILADELPHIA DURING LAST FILING SEASON

Peak circultry in Philadelphia for the last filing period was 70 lines.

Senator SPECTER. Is that about right?

Commissioner EGGER. I do not know how many lines we had in Philadelphia but what we had done last year was to plan our answering service to be at the same level as 1984. Then in February and March, when the publicity and agitation over late returns and all of the newspaper articles, and so on, came out, our call level just jumped dramatically, up to about three times the level that we had any plans to handle.

Senator SPECTER. What did you do when you found that out?

Commissioner EGGER. Well, we made every effort to keep the answering level as high as we could, but it takes several months for us to get phone lines in.

Senator SPECTER. It takes several months for you to get phone lines in?

Commissioner EGGER. Yes, sir.

Senator SPECTER. I had a phone line installed in 2 days.

Commissioner EGGER. If you can assist us in speeding up the process, we would be delighted. We have been working with AT&T a long time on this.

Senator SPECTER. I went to the seashore for 2 weeks, and I had two lines installed in 2 days.

Commissioner EGGER. I think it is much different than putting in an 800 call system.

Senator SPECTER. You do not need an 800 call cycle for a lot of calls in the Philadelphia area.

What are you saying to me, Commissioner, that it takes how long to get telephone lines installed?

Commissioner EGGER. We are in the process of installing those lines right now, are we not?

Mr. Goldberg. Mr. Chairman, we placed the orders for the January filing period around the country in the various sites, including Philadelphia, in the August-September period.

Senator Specter. You placed an order in September for January. My question is, if you want a line installed promptly, how long will it take the telephone company to do it?

Mr. Goldberg. A minimum of 30 days, and depending upon the time of the year and part of the country, as many as 90 days.

Senator Specter. What did you do when you found you had this avalanche of calls? Did you ask them to install the lines in 30 days?

What did you do to respond to any of them?

Commissioner Egger. We sent out notices to every single region to increase their telephone answering system and to make every effort to respond to the number of calls.

Senator Specter. That is too general, Commissioner Egger.

Do you know specifically what you did? Maybe you will have to provide it for the record, but this is illustrative of a response which I think you can make in a concrete way. People are making telephone calls, they are not getting through. There ought to be a maximum effort made by the Commissioner of Internal Revenue to get the telephone company to install lines immediately.

Commissioner Egger. We are planning a 20-percent increase in the capacity to handle telephone calls over——

Senator Specter. I want to bring this to a close because of the time.

What I would like to know is, I would like to know specifically what you did when you heard that people were making 40,000 to 50,000 calls a day, and that was in the newspaper, had to come to your attention, and that there were 53 lines. And I want to know specifically what you did and what your subordinates did to try to get extra lines in. And I want to know specifically what the telephone company said to you. And I want to know specifically what you said to the telephone company when they told you how long it would take because it does take some prodding to get lines in promptly. But my experience in getting lines in, in 2 days, is no atypical—and I am not suggesting that you can get 50 lines in, in 2 days, but I am suggesting that you can get two lines, in, in 2 days.

I would like to get responses on what you did. If you had faced as many irate taxpayers as I did, Mr. Commissioner, you would be a lot more testy about it.

[Material submitted for the record follows:]

Efforts in Philadelphia to Obtain Additional Telephone Lines

Fifteen additional lines were ordered for Philadelphia on June 10, 1985, and installed on June 14, 1985. Philadelphia's circuitry at the end of the filing period (April 15) was 70 lines. Immediately thereafter, they decreased to 45 lines as scheduled and again decreased to 40 lines during the first week of May, as scheduled. The additional 15 lines installed in June brought them up to 55 total lines which they retained through the balance of 1985.

Since the divesture, we deal with the local telephone company for local lines and two weeks is an excellent response time for a preferred customer. These lines were installed in four days which was in response to our emergency request. WATS lines must be ordered through AT&T on a national basis and installation must be coordinated between AT&T and the local operating telephone company. It takes four weeks to process the orders which on WATS is expedited service.

To avoid these time delays, we submit our orders at the beginning of the fiscal year with dates identified for increases and decreases based on projected demand and available resources. Unfortunately, FY 1985 brought far more demand than our planned circuitry or staffing could handle.

For Philadelphia in FY 1986, we have been promised a two-day turn around for local lines in an emergency situation and a continuation of at least four weeks for WATS.

Commissioner EGGER. I want to assure you that just putting telephone lines in place is not the answer. We have to have people on the other end who have training and who can respond to those questions.

Senator SPECTER. What did you do about getting people to answer the phones?

Commissioner EGGER. We will supply that for the record.

EFFORTS IN PHILADELPHIA TO INCREASE TELEPHONE STAFFING

Tours of duty for seasonal employees were extended and 32 seasonals who had been furloughed were recalled. In addition, approximately 30 employees were obtained from Collection, Examination, and Resources Management to help deliver the service. These details lasted from June through September and provided 11,905 hours of assistance.

Senator SPECTER. Answer now if you can.

Commissioner EGGER. We issued instructions to every Regional Commissioner to bring up their telephone answering to a level which we specified in each case, and insisted that they put the personnel in place to man those telephones up to that level.

Senator SPECTER. Well, give me the greater specifics. That is too general an answer to be meaningful to me at all. And if you increased by 20 percent, what do you—if you increase what you have in the Philadelphia office by 20 percent, how many additional calls can you handle?

Commissioner EGGER. We can handle some level of additional phone calls, but when the level jumps to 150 million, no one can. You need only to recall the situation in Philadelphia where the telephone company could not even handle it and had to divert millions of telephone calls away from us because they could not supply service to their other customers. So they did that, not we.

Senator SPECTER. Well, what are we going to do about it for the next year?

Commissioner EGGER. Provide the kind of service to the taxpayers of this country that they deserve, and eliminate the necessity for that——

Senator SPECTER. And the type of service that these taxpayers deserve is an answer to a telephone call?

Commissioner EGGER. Yes, sir; I could not agree more. They not only deserve an answer, but they deserve somebody on the other end who can handle their problems.

Senator SPECTER. If you have half the problems in 1986 that you had in 1985, will your plans projected for telephone service be adequate?

Commissioner EGGER. Yes.

Senator SPECTER. So you will be able to handle in the Philadelphia office 20,000 to 25,000 calls a day?

Commissioner EGGER. We are going to make every effort to do that.

Senator **Specter**. Will you provide me with documentation as to how you are going to do that?

Commissioner **Egger**. We will give you documentation as to what we have planned for Philadelphia as far as the telephone is concerned. We assume that we have the financing to do it. If we have to go along with the funding as it currently stands, it will be much less than that.

[Material submitted for the record follows:]

PLANS IN PHILADELPHIA FOR TELEPHONE LINES IN 1986

Toll-free lines for Philadelphia in 1986 will be increased to a peak of 88 lines compared to 70 available during 1985. These 88 lines will be able to answer 7,000 calls per day. This increase is greater than it appears considering the fact that forms orders for Philadelphia will be handled at the centralized forms distribution site in 1986. This represents over 200,000 calls in Philadelphia being diverted to the forms site.

During the early part of June, the Philadelphia office was answering approximately 15,000 calls per week. By the end of June with increased staff and lines, they were anwering over 30,000 calls per week.

Senator **Specter**. I am not familiar with what calls were received at other offices and prefer not to get into that, but I do know that we have the figure of 30,000 to 40,000 calls a day in Philadelphia. And my question is, if you have half of the problems, will you be able to handle it? And you said yes. And I want documentation for your plans to accomplish that.

Commissioner **Egger**. Well, when you say half the problem——

Senator **Specter**. Half the calls.

Commissioner **Egger**. No, sir. If we come down to the 75 million calls a year level, no, sir, we will not be ready to handle it.

Senator **Specter**. Well, that is what you have to prepare for, is it not?

Commissioner **Egger**. We planned on the basis of a normal filing season, such as 1984, plus an additional factor on top of that for 1986. If we have the kind of a crunch on the telephone system that we had in Philadelphia last year, neither we nor the phone company can handle it.

Senator **Specter**. Well, the telephone company cannot handle it, and you do not have the lines, and the calls are being diverted. But I am not at all convinced that the telephone company cannot handle it when you make the plans for it.

Well, let us see your plans and let us work with you. We are going to have to evaluate the funding needs you have. I do believe that those are the kinds of questions we are going to have to be prepared to answer.

Commissioner **Egger**. That Appropriations Committee has cut our appropriation every year for the last 3 years, and——

Senator **Specter**. Has the Appropriations Committee given you less than you asked for?

Commissioner **Egger**. Less.

Senator **Specter**. Less than the administration has asked for?

Commissioner **Egger**. Yes.

Senator **Specter**. What did you ask for in the last 3 years and what did they give you?

[Material submitted for the record follows:]

SENATE APPROPRIATIONS COMMITTEE AND HOUSE APPROPRIATIONS COMMITTEE RECOMMENDATIONS ON IRS BUDGET REQUESTS, FISCAL YEAR 1981–FISCAL YEAR 1985

[Dollars in thousands]

Fiscal year	IRS budget request	House Appropriations Committee recommendation	Senate Appropriations Committee recommendation
1981	$2,359,111	−$1,611	+$56,232
1982	2,565,649	+38,000	+18,500
1983	2,917,159	+31,031	−19,159
1984	3,291,551	−30,002	−26,751
1985	3,516,859	+18,500	−32,402

Notes:

1981—House cut derives from rounding IRS Budget Request downward. Senate added resources to ensure an audit coverage of 2.24 percent.

1982—House added resources mainly to Appropriation III (Examination and Appeals), to maintain audit coverage, and Appropriation IV (Investigation and Collection), to collect additional delinquent accounts. Senate addition was primarily to Appropriation IV to improve compliance.

1983—House added resources to maintain Taxpayer Service at fiscal year 1982 level. Senate recommended adding $50 million to maintain Taxpayer Service but also cut IRS Budget Request by $69 million. Major areas affected were: Salaries and Expenses—$11 million, ADP—$18 million, and Examination and Appeals—$17 million.

1984—House cut $25 million from ADP systems modernization. Senate did not cut ADP but cut SLUC (Standard Level User Charge—rent on federally owned buildings) by $17 million.

1985—House added resources solely Appropriation IV (Investigation, Collection, and Taxpayer Service), to increase compliance. Senate cuts unspecified save that they not be applied against ADP modernization, Tax Counseling for the Elderly program, or new tax collection initiatives.

Commissioner **Egger**. Our request in fiscal year 1985 was about $3.5 billion, and reductions to date are some $32 million.

Senator **Specter**. What did the Appropriations Committee give you?

Commissioner **Egger**. That was the reduction by the Senate Appropriations Committee. And the same story existed in 1984.

Senator **Specter**. What did you ask for and what did you get?

Commissioner **Egger**. In fiscal year 1984, $3.2 billion, and they cut us ——

Senator **Specter**. In 1983?

Commissioner **Egger**. In fiscal year 1983, they reduced our budget by over $19 million.

Senator **Specter**. How much did you ask for?

Commissioner **Egger**. About $2.9 billion.

Senator **Specter**. I calculate that roughly to be less than 1 percent. Is that right?

Commissioner **Egger**. Yes.

Senator **Specter**. Well, I will check on that because I am surprised——

Commissioner **Egger**. I think all I am saying, Senator Specter, is that for a period of probably 10 years or more, this agency has got along on what, in my judgment, is less than the funding that it needs to provide the level of service that you and I both believe the public should have.

Senator **Specter**. Well, we are getting into another range of big questions, but the question is whether you have asked for an adequate level of funding. We frequently—it is the rule that the agencies come in and ask for less than an adequate level of funding.

When you say to me that in 1983 you asked for $2.9 billion and you were cut $19 million, that is about six-tenths of 1 percent, and that will extend us into the dialog of adopting the full appropriations when your have had enough funding to do your job. And I think the answer to that is no.

Commissioner **Egger**. I am not suggesting that things would have been all that different. All I am suggesting is that there is a need for understanding of all of the factors that go into this business for providing service.

Senator **Specter**. Well, I am going to check these figures because I am suprised that you were cut at all. But if you are suggesting that a cut of six-tenths of 1 percent adds a material difference in your ability to perform your job, I do not think you are correct. Do you? Does a cut of six-tenths of 1 percent mean you cannot do you job?

Commissioner **Egger**. I did not suggest that. I said there needs to be an understanding of what is needed, of what all of the factors are of entering into this business of providing a service——

Senator **Specter**. I will agree with you, commissioner. But when you say the funding was cut, which raises the suggestion that you were not able to do your job because Congress has not given you adequate funding, and it turns out you were cut by a half a percent or six-tenths of 1 percent, I do not think that is a fair representation.

Commissioner **Egger**. It depends on where the cuts come.

Senator **Specter**. Did the cuts come in an area that prevented you from doing the job that we are talking about now?

Commissioner **Egger**. I do not know that for a certainty——

Senator **Specter**. That is the question. You said it involves where the cuts would come.

Commissioner **Egger**. There were cuts in data processing in fiscal year 1983 and 1984.

Senator **Specter**. How much?

Commissioner **Egger**. As I recall, about $25 million for fiscal year 1984 alone.

Senator **Specter**. What was the total request?

Commissioner **Egger**. I cannot recall.

Senator **Specter**. Do you have the figures there?

Commissioner **Egger**. No; I do not have them.

Senator **Specter**. Was it a small or a large percentage with respect to data processing?

Commissioner **Egger**. I just don't remember.

Senator **Specter**. Could you have used other funds that you have available for data processing if you chose to make some reallocation?

Commissioner **Egger**. Certaintly we did. That is how we did it. We operate on four different budget accounts. And when funds are reduced in one area, we frequently have to reallocate or transfer funds from something else. In other words, when you cut something, something has to give.

Senator **Specter**. I would appreciate it if you would provide to the subcommittee on how fundings cuts have impeded your operation.

Commissioner **Egger**. I am not suggesting that they have done that. I am simply suggesting that there is a need to understand that it is not simply a question of just picking up the phone and calling somebody to come and put in a phone line or whatever. We have to operate within the budgetary constraints. We have to make our plans each year, and those plans are based on the budget.

I am sitting here right now today operating at a higher level than the Congress has authorized, simply because I have to do it in order to be sure that the phone lines and the people are onboard to answer the calls next January.

Senator SPECTER. Well, I do not know that this is productive at this point, Commissioner Egger, But I for one cannot accept your statement that it is not sufficient for you to pick up the phone and call for more lines.

My suggestion to you is when you face a problem like you faced in the Philadelphia office where you have 40,000 to 50,000 calls coming in, that the Commissioner of Internal Revenue ought to be in touch with the telephone company itself if he cannot get some action. You ought to make the trip and see what is going on in the Philadelphia office, and if you need a supplemental appropriation, you ought to contact the Appropriations Committee and ask for a supplemental appropriation.

My question to you is did you visit the Philadelphia office?

Commissioner EGGER. Yes.

Senator SPECTER. Did you ask for a supplemental appropriation?

Commissioner EGGER. We did, yes.

Senator SPECTER. Did you get one?

Commissioner EGGER. We got $33 million last year.

Senator SPECTER. Is that what you asked for?

Commissioner EGGER. Approximately.

Senator SPECTER. Well, there are a lot of questions we will have to pursue.

Thank you very much.

If you could stay to hear the panel of citizens who have complaints, I for one would appreciate it.

Commissioner EGGER. I will have someone here, Senator Specter, but I have other commitments, and I myself am going to have to be back in my office. But we will have people here.

Senator SPECTER. Well, I would make the request. It is not the same if somebody else hears it.

Thank you very much.

I would like to call now Mr. Robert M. Tobias, national president, National Treasury Employees Union.

Welcome, Mr. Tobias. I regret the time you were kept waiting. Your full statement will be made a part of the record, and to the extent you can summarize it, we would appreciate it.

STATEMENT OF ROBERT M. TOBIAS, NATIONAL PRESIDENT, NATIONAL TREASURY EMPLOYEES UNION

Mr. TOBIAS. Thank you very much, Senator Specter.

I am Robert M. Tobias, national president of the National Treasury Employees Union. On behalf of over 95,000 IRS employees who collect the revenue of the Federal Government, I am pleased to appear before you today to assist you in your oversight of IRS' administration of the Nation's tax system.

That system is still reeling from the profound shock of the current filing season, which produced headlines of lost returns, delayed refunds, destroyed correspondence, and heavy costs for backlogged caseloads. A proud and honorable Service has been humiliated, and taxpayer confidence rudely jolted. Even though these occurrences have been no fault of the rank and file, they are a blow to the self-esteem of every IRS employee and morale has clearly suffered.

Nevertheless, I am confident that, given the proper support by their Government, IRS employees will meet this challenge and maintain their reputation for trustworthy, accurate, and fair administration of the tax laws.

I would like to dwell on two questions: How did we get into this fix? What can be done to keep it from happening again?

To read the newspaper accounts, you would think recent events were entirely due to the computer changeover; fix it, and you have solved the problem. That conclusion is simply wrong, and it would be a big mistake for this committee to buy that explanation.

IRS' problems stem fundamentally from a decade of neglect in which resources have not been allowed to rise in step with a growing workload. The system is driven by the number of tax returns filed, and that depends essentially on population and the requirements of our tax laws. Until 1976, overall staff years and obligations in constant dollars rose steadily with workload. Thereafter, two successive administrations began a process of short-changing the system. They would cut the budget one year and restore the cut the next. Or they would allow a small increase, but not nearly enough to keep pace with workload. They began claiming phony "productivity savings" to pretend the system was maintaining performance levels when it was not.

Production pressure grew in intensity as IRS imposed higher and higher performance standards on its work units. The quality and professionalism of the job—which is essential if the rights of the taxpayer and the Government are to be fairly balanced—gave way to a numbers game in which the goal was to close the most cases in the fastest way possible. As a result of this production pressure and a concurrent assault on Federal pay, many good men and women left the Service. Attrition rates among IRS professionals rose alarmingly. Yet, in recruiting new agents, starting pay was so low that IRS could compete for only the bottom 10 percent of college accounting majors.

The budgetary folly of the present administration is illustrated in the accompanying charts. When the Reagan administration came to office in fiscal year 1981, it immediately cut IRS to 86,156 positions—far below the 89,597 positions appropriated by Congress. In its budget for fiscal year 1982, it imposed an even deeper cut. When the deficit soared, it reversed itself by adding 5,000 positions for the revenue initiative of 1983 and 1984. For fiscal year 1986, 86,500 positions were requested—which means that for the past 3 years IRS' budget has remained static. Yet the number of returns filed will increase in that time by 34 million or 24 percent.

The crunch in returns processing is shown on the next chart. In 1980, there were over 137 million primary returns—those of individuals, corporations, and partnerships. There were an additional 547 million information returns—those filed by banks and other institutions. By 1985, the number of primary returns had climbed to 174 million. In addition, there were nearly a billion information returns. Yet, these returns were to be processed with 23,111 people—

nearly 6,000 fewer than in 1980. Think of it. Nearly 40 million more primary returns and over 400 million more information returns heaped on a processing staff that has been cut by 6,000 positions.

The trends for examination are shown in the next chart. The top line shows the number of individual, estate, gift, and partnership returns filed has grown considerably. The botton line shows that the number of staff years has barely risen. Because of the greater complexity of returns and increased time needed to perform a quality audit, both the number of returns examined and audit coverage have fallen steadily. Returns examined have dwindled from 2.1 million to 1.4 million over the past 5 years, while audit coverage has fallen from 2.2 to 1.3 percent. If the 1980 rate of 2.1 million examinations had been maintained, an additional $7.5 billion a year would be available to the Federal Government today, when it is in dire need of the money.

For taxpayer service, the top line shows that number of requests for assistance of all types—toll-free telephone, walkin, and correspondence. Both calls answered and abandoned in the toll-free telephone system are included. While demand for assistance has been rising strongly each year, the number of taxpayers assisted has remained about the same since the large reduction in Taxpayer service staff imposed in 1982. Recent GAO studies confirmed a deterioration in the overall quality of service in recent years. Out of 100 telephone calls made to IRS in the 1985 filing season, 52 resulted in contract with an IRA assister who correctly answered a question. The remaining 48 calls either did not get answered, were cut off, or resulted in assistance providing erroneous answers. In 1982, 72 calls out of 100 resulted in contract with an assister who answered correctly. In 1978, 80 such calls obtained a correct answer.

What have been the consequences of this budgetary policy for our voluntary compliance system? The tax gap, or difference between taxes legally owed and those voluntarily paid, was $39 billion in 1976, and today stands at $107 billion. The chart attached to our testimony shows this gap rising to $150 billion during the next 5 years.

Overall voluntary compliance was last year adjusted downward by IRS from 90 percent where it stood a decade ago to 80 percent today. This has ominous implications. Each 1 percent decline in voluntary compliance costs the Federal Government $7 billion in lost revenue today. Moreover, the downward trend in voluntary compliance may become irreversible, as the public perceives that tax cheating is widespread and the cheaters are getting away with it. The Yankelovich Survey conducted for IRS last year shows that a third of all taxpayers believe this.

As NTEU has consistently maintained, stemming the downward trend in voluntary compliance must be the highest priority objective for IRS. This objective can only be accomplished by setting 90-percent compliance as a goal and increasing IRS resources in successive increments until the goal is achieved.

I want to emphasize, Senator Specter, that what we see, as I said, over the last 5 years will be a diaster for 1986. If the Congress does not deal with the fact that the appropriation for IRS must be increased, and support the agreement of the House and Senate conferees to increase staffing for IRS by 3,000 positions, restoring the 1,250 that the administration requested to be cut, if that is not done, we are going to be in real trouble again in 1986. Similarly, the Gramm-Rudman amendment calls for automatic, across-the-board cuts in the Internal Revenue Service and other revenue-producing agencies. If enacted, the Gramm-Rudman amendments could cost the Federal Government $40 billion in uncollected revenue over the next 5 years.

Senator **Specter**. Mr. Tobias, you have raised very important considerations, and your full statement will be in the record. I am sorry to have to abbreviate it, but I have to terminate this hearing no later than 1:15.

Mr. **Tobias**. I would be pleased to answer any questions you may have, Senator.

[Statement follows:]

PREPARED STATEMENT OF ROBERT M. TOBIAS

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As NTEU has consistently maintained, stemming the downward trend in voluntary compliance must be the highest priority objective for IRS. This objective can only be accomplished by setting 90 percent compliance as a goal and increasing IRS resources in successive increments until the goal is achieved. ~~Since IRS is an agency with over 90,000 people, increments~~ of 1 or 2 thousand staff-years will not have a meaningful impact on overall output. To be effective, the minimum increment should be 5,000 or more staff-years.

Our voluntary compliance system depends on the willingness and ability of taxpayers to self-assess their own tax and voluntarily pay the amount due. This willingness and ability depends on adequate access to taxpayer service and timely processing of their returns and refunds. It also depends crucially on their perception that IRS will take enforcement action against those who do not pay their fair share. IRS compliance efforts are not an intrusion upon society; they aim to ensure the fairness of our tax system. In the late 1960's, IRS audit coverage was 5.6 percent and society did not consider this to be overly intrusive. With audit coverage today at 1.3 percent, IRS lacks the enforcement presence to shore up voluntary compliance and maintain the fairness of the system.

Congress has over the years generally protected the tax system from the unwisdom of OMB budget-cutters. Today, with the Gramm-Rudman amendment, it appears that Congress wishes to join in the folly. Gramm-Rudman treats revenue-producing agencies the same as service-producing agencies, requiring across-the-board cuts when deficit targets are not met. Such a policy would cause the Federal government to actually lose revenue, thus undermining attainment of the deficit target. For example, a 5 percent cut would cost IRS about $200 million. This would wipe out the 3,000 additional positions recently approved by Treasury appropriations conferees as the minimum essential, and cut 3,000 more positions as well. As a result, during the six-year period FY 86-91 when the budget is supposed to be balanced, we estimate that IRS will lose $4 billion a year in direct enforcement revenue for a total of $24 billion, plus $16 billion from a further drop of 2 percent in voluntary compliance -- a grand total of $40 billion.

The brunt of Gramm-Rudman budget cuts would be borne by Examination and Collection programs, which currently yield $32 billion annually. The average return in Examination is 13:1 ($13 return for each dollar spent), and the incremental return is 30:1. The average return in Collection is 29:1 and the incremental return is 20:1. These figures are based upon data contained in the IRS congressional budget submission for

FY 1986. The incremental return figures are based upon actual experience, specifically, the revenue initiative enacted by Congress in 1982 which yielded $1.8 billion from examinations over 2 years, at a cost of only $60 million for 1,000 additional staff-years -- a 30:1 return.

Based on this data, NTEU believes that a conservative estimate of the average return per dollar invested in IRS compliance programs is 20:1. A $200 million cut would thus result in revenue loss of $4 billion annually.

In addition, because audit coverage would fall to below 1 percent and fewer delinquent returns would be secured, taxpayers could cheat and play "audit roulette" with relative impunity. This would inevitably lead to a decline in voluntary compliance among taxpayers generally. If a 1 percent decline occurred each 3 years during the 6-year life of Gramm-Rudman, a total of $16 billion would be lost. (Each 1 percent decline will cost the government $7 billion by 1988 and an additional $9 billion by 1991.)

NTEU believes it would be unwise and impractical for IRS to attempt to absorb significant cuts in programs tht are not directly revenue producing, namely, Returns Processing and Taxpayer Service, because these programs impact directly on voluntary compliance. The taxpayer's ability and willingness to self-assess the proper amount of tax and voluntarily pay that amount is undermined if they can't get answers to their questions or get their refunds on time. The losses incurred by Gramm-Rudman will cause the tax gap to expand even further, and erode the nation's ability to deal with present and future deficits.

What can be done to prevent a recurrence of this year's nightmare while strengthening voluntary compliance? In the immediate time-frame, NTEU strongly urges the Senate Judiciary Committee to take the following actions:

oo First, obtain agreement by the conferees, who are now meeting on the bill to raise the debt ceiling, to exempt IRS from the provisions of Gramm-Rudman;

oo Second, in view of the President's veto of the Treasury Appropriations bill for FY 1986, and the vital importance of the additional resources contained therein (approximately $100 million and 3,000 average positions) for the 1986 filing season which is just 40 days away, support an override of the veto or a move to attach the Treasury bill to the Continuing Resolution for FY 1986.

oo Third, work with the Senate Appropriations Committee to ensure that the $100 million dollar deficiency in the current budget, which was premised upon a 5 percent cut in Federal pay that Congress has rejected, is fully restored in the FY 1986 supplemental appropriation.

oo Fourth, require IRS to fully justify its unit performance standards for Service Centers and other divisions. Although the IRS promised months ago to examine its production standard to determine if they are achievable, there is no indication that any such review is underway in any district office or service center. In the absence of a systematic review of production standards, and adjustment of production standards which are unrealistically high, the new emphasize on "quality" in tax processing will be an exercise in futility.

For the long run, we recommend that this committee urge the Senate Finance Committee to take the following actions:

oo First, require IRS to submit to the Congress a Long-Range Compliance Plan to reduce the tax gap and raise the level of voluntary compliance to 90 percent: the plan should show resource requirements and additional revenue anticipated from implementation;

oo Second, establish annual targets to speed up returns processing and improve taxpayer service, raise the number of examinations and audit coverage, reduce the number of taxpayer delinquent accounts, increase the number of delinquent returns investigation, and raise the percentage of leads being worked under the Information Returns Program (only about 30 percent of the leads generated are now followed up): require IRS to state resource requirements to meet each target and the anticipated revenue yield;

oo Third, enact legislation to require that any time Congress or the Administration imposes a new mission on IRS, as was done for example in the Windfall Profit Tax Act and the Interest and Dividends Tax Compliance Act, IRS should prepare and submit in its budget request a statement of the resources required to implement the new mission;

oo Fourth, require IRS to prepare an annual plan to deal with special compliance problems, such as abusive tax shelters, nonfilers, income underreporters, and offshore tax havens; abusive tax shelters alone are now sheltering as much as 35 billion in income each year according to the Treasury Department: resource requirements for dealing with this and similar compliance problems should be stated in the plan.

Mr. Chairman, this concludes our prepared statement. I will be glad to answer any questions.

TAX GAP* (BEFORE GRAMM-RUDMAN) (OCCURS IN BILLIONS)

TAX YEAR	PERSONAL INCOME	VOLUNTARY REPORTING PERCENTAGE	INDIVIDUAL UNREPORTED INCOME	TAX GAP
1985	$3,241	88.5%	$373	$100
1986	$3,483	88.5%	$401	$107
1987	$3,747	88.5%	$431	$114
1988	$4,019	88.5%	$462	$124
1989	$4,312	88.5%	$496	$133
1990	$4,596	88.5%	$528	$141
1991	$4,900	88.5%	$563	$150

SOURCE: BUDGET OF THE U.S. GOVERNMENT; IRS, "INCOME TAX COMPLIANCE RESEARCH".

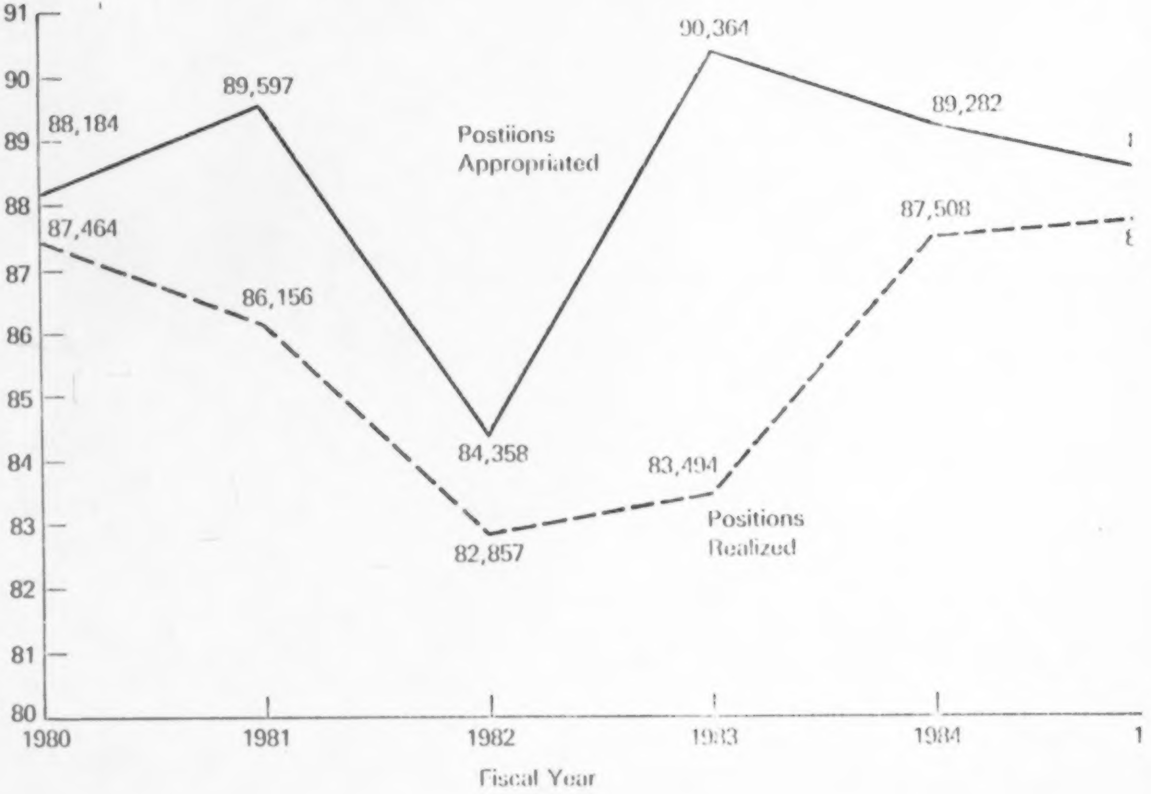
* TAX GAP IS THE DIFFERENCE BETWEEN TAXES LEGALLY OWED AND TAXES VOLUNTARILY PAID.

REVENUE LOSS FROM 5% CUT IN IRS IN FY 1986

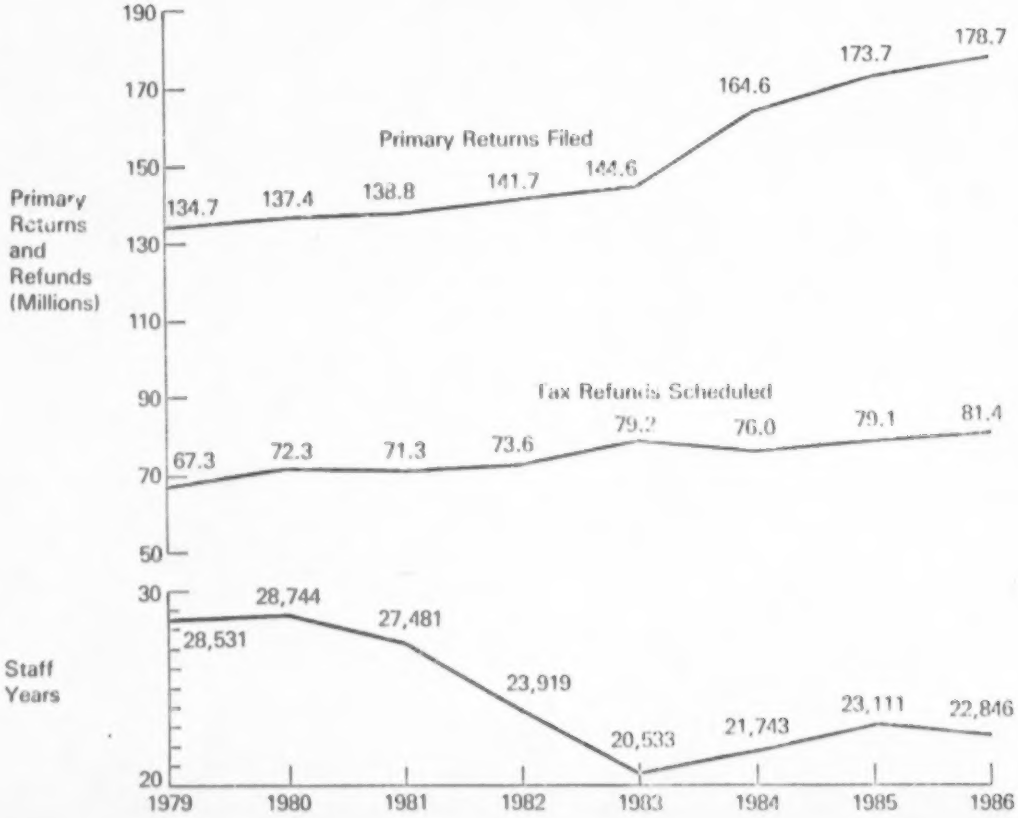
		REVENUE LOSS FROM -		
FISCAL YEAR	AMOUNT CUT	DIRECT ENFORCEMENT PROGRAMS	REDUCED VOLUNTARY COMPLIANCE	TOTAL REVENUE LOSS
1986	$200 million	$4 billion		$4 billion
1987		$4 billion		$4 billion
1988		$4 billion	$7 billion	$11 billion
1989		$4 billion		$4 billion
1990		$4 billion		$4 billion
1991		$4 billion	$9 billion	$13 billion
TOTAL CUMULATIVE REVENUE LOSS				$40 billion

NOTE: IF ADDITIONAL CUTS ARE MADE IN SUBSEQUENT YEARS, REVENUE LOSS WILL BE GREATER.

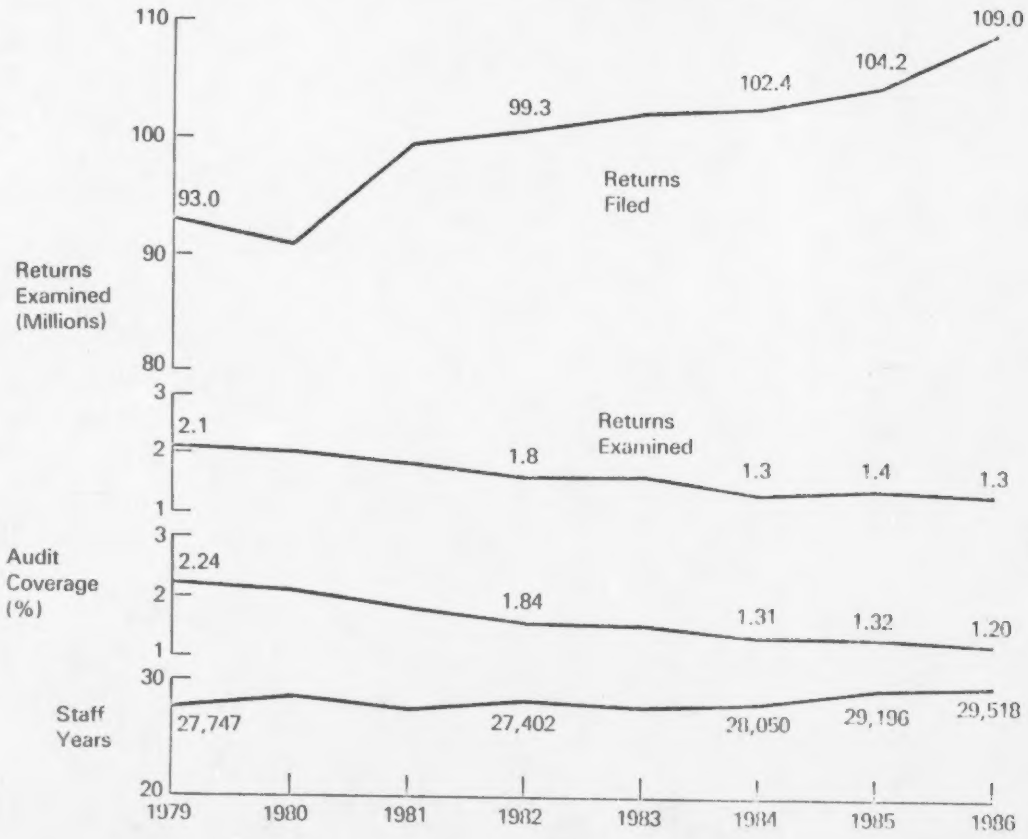
INTERNAL REVENUE SERVICE



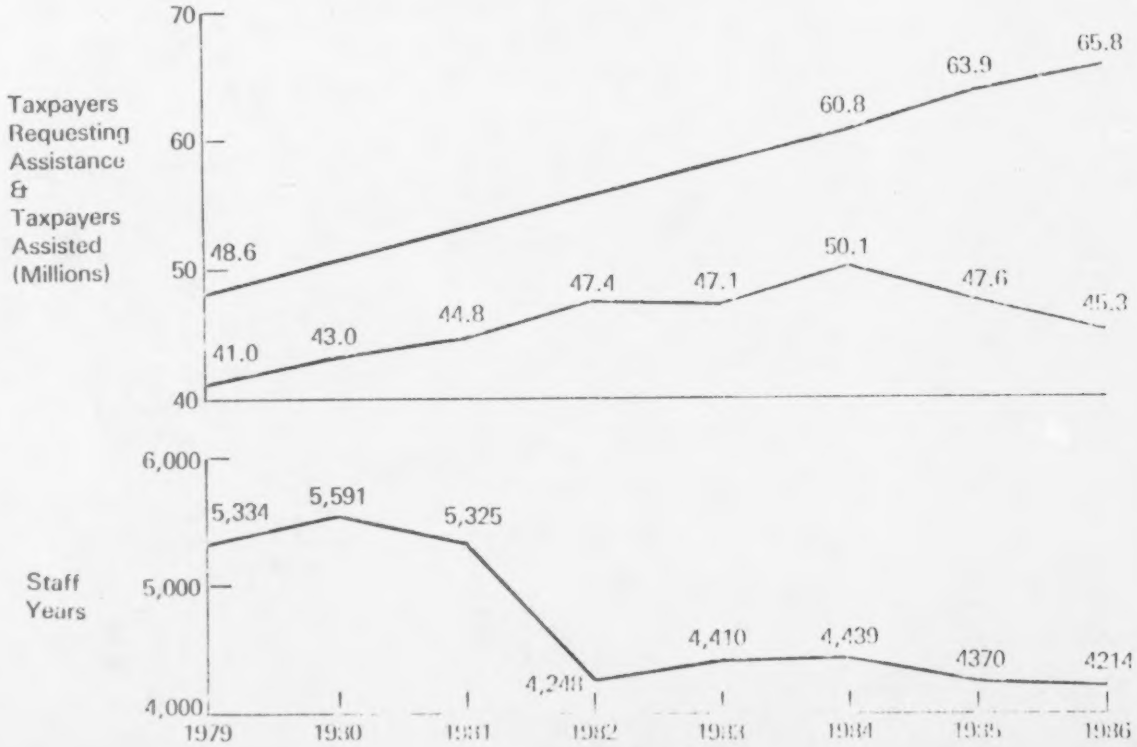
Returns Processing



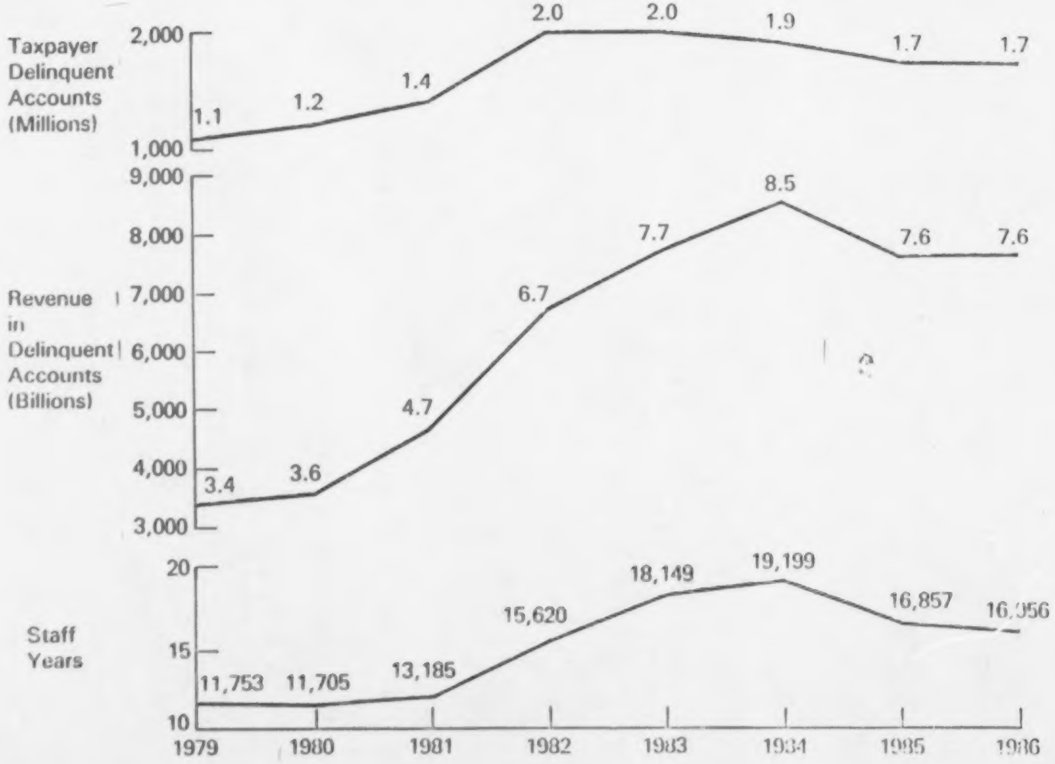
Examination



TAXPAYER SERVICE



COLLECTION


Taxpayer Delinquent Accounts (Millions)
2,000
1,000
1.1
1.2
1.4
2.0
2.0
1.9
1.7
1.7
Revenue in Delinquent Accounts (Billions)
9,000
8,000
7,000
6,000
5,000
4,000
3,000
3.4
3.6
4.7
6.7
7.7
8.5
7.6
7.6
Staff Years
20
15
10
11,753
11,705
13,185
15,620
18,149
19,199
16,857
16,056
1979
1980
1981
1982
1983
1984
1985
1986

Senator **Specter**. Let us review your testimony in detail. I think the figures you have submitted are very impressive.

There was a figure here of $40 billion. You said that $7 billion would be collected if certain steps were taken, and what was the figure?

Mr. **Tobias**. $7.5 billion if the 1980 rate of 2.1 million examinations had been maintained. If that level of examinations had not slipped to 1.4 million, we would have $7.5 billion in our coffers. And it is a very simple extrapolation of numbers.

OMB agrees to it. IRS agrees to it, but we do not have the people needed to conduct the examinations and audits.

Senator **Specter**. What would it cost us to make that $7 billion?

Mr. **Tobias**. We projected last year that adding 5,000 positions, which is what we urged the Congress to do, adding 5,000 positions would cost about $750 million and yield $2.2 billion in the first year alone, and $10.5 billion in the next year.

Senator **Specter**. Thank you.

I would like to call now our panel consisting of Donald R. Hummel, director of training, Pennsylvania Farmers' Association of Farm Management Services; Mrs. Rosemary Lamela of Mechanicsville, MD; and Marilyn Oberle, Washington, DC.

STATEMENT OF PANEL CONSISTING OF DONALD R. HUMMEL, DIRECTOR OF TRAINING, PENNSYLVANIA FARMERS' ASSOCIATION, FARM MANAGEMENT SERVICES; ROSEMARY LAMELA, MECHANICSVILLE, MD; AND MARILYN OBERLE, WASHINGTON, DC

Senator **Specter**. My regrets at being so late in your testimony that you have been here and seen the process. You understand.

Mr. Hummel, I know you have testified before, when we were at the Harrisburg hearings. We very much appreciate your coming today. Let us begin with you.

Before we start, who is here from the Internal Revenue Service?

[No response.]

Senator **Specter**. No one is here from the Internal Revenue Service?

[No response.]

Senator **Specter**. Let the record show that someone from the Internal Revenue Service was supposed to be here, and the response to my request is that no one is here from the Internal Revenue Service to hear your testimony.

[Material submitted for the record follows:]

Honorable Arlen Specter
United States Senate
331 Senate Hart Office Building
Washington, DC 30510

Dear Senator Specter:

It is my understanding that after Commissioner Egger left the hearing room of the November 19 hearing you inquired as to whether anyone in the audience was representing the Internal Revenue Service. For your information, two members of my staff remained at the hearing to collect information for a planned briefing for the Commissioner and me.

Several days prior to the hearing I instructed the two staff members that their responsibility would be to collect information and not to speak on behalf of the Service. Unfortunately, my staff interpreted the instructions so strictly that they did not identify themselves when you directed your inquiry to the audience.

It is unfortunate that you were not advised of the presence of the two IRS staff.

With kind regards,

Sincerely,

/s/Tom E. Persky

Tom E. Persky
Assistant to the Commissioner
(Legislative Liaison)

Senator SPECTER. I will listen, Mr. Hummel.

Mr. HUMMEL. Senator, I am director of training of PFA Farm Management Services with offices at 510 South 31st Street, Camp Hill, PA. That organization represents 23,000 farm familes within the State.

Last year, with 40 professional people in the field throughout the State, we prepared in excess of 8,000 tax returns during the year. We have been in business since 1957. The training for our staff with checks and balances we provide ensures a top quality product from our system.

Normally we receive only a minimum of notices from the Internal Revenue Service, and we are proud of that record. Two-thirds of our staff are recognized by the Internal Revenue Service as enrolled agents. The frustrating part is that responses have apparently gone unnoticed and unanswered, and a second, third, and sometimes final notice before seizure has been received by our clients.

Trying to communicate by telephone on the 800 number and the local Philadelphia and Pittsburgh numbers is almost impossible, and even upon being able to get through, we were told that the computers were down or were advised that the best thing for us to do was to go to the nearest IRS office to handle the matter, only to find out that the local offices limit taxpayers' visits to 2 to 3 days per week.

Senator SPECTER. How do you feel about Commissioner Egger's response about how little they have done to answer telephone calls for more information? How do you feel about it?

Mr. HUMMEL. On behalf of our testimony that I represent, the testimony that I heard this morning made me quite angry, as a matter of fact. It probably would have been better if I had not heard it, but I was upset with his response to your question.

Senator SPECTER. Do you think Commissioner Egger will be angry at hearng your testimony? Oh, pardon me. He is not here to hear it.

You may proceed.

Mr. HUMMEL. This was such a problem that we let our membership know in the Voice of Organized Agriculture, a publication reaching over 23,000 farm families. We advised our people, whether they were using our service or not, to make sure that they sought professional help before they paid any IRS bills or notices that they received from them.

To make it short, we found there were 6 areas of concern on the notices that our clients got. No. 1 was in the area of underpayment of estimated tax, where they were penalized for underpayment.

Two, the carry forward of investment credit as recorded on the return. There was no allowance for a carry forward operating loss. In some cases credits from co-ops, and investment credits from co-ops was not taken into account, and payroll deposits were, for some reason or another, not able to be validated by the Internal Revenue Service. Because of the horrendous processing at Philadelphia, taxpayers are being dunned for taxes they have already paid, liens are being placed on their property, bank accounts are being attached, other properties are being seized, refunds delayed, and on the other hand, refunds have been made when none are due.

About 8 years ago we had a similar problem with the Internal Revenue Service and at that time—and we went to great lengths to get that audience, as a matter of fact, but we did get an audience with the Internal Revenue Service, and they agreed to give us a person, a contact, and we were able to resolve that problem. And I am wondering why that same kind of thing could not take place today. We believe that the district office in Philadelphia would provide this contact, this problem could be resolved. Until they do, we are faced with the continued unwarranted notices that add to our cost of doing business. We, as well as IRS, have client taxpayers who are harassed unnecessarily. This has got to come to a stop.

Thank you for allowing us to come and present our testimony.

Senator SPECTER. Thank you very much, Mr. Hummel. I think your words will get some additional attention. I appreciate your being here. I appreciate the testimony you gave us in the Harrisburg area, and I felt this was very important to summarize your testimony.

Mrs. Lamela, thank you for joining us. We look forward to your testimony.

Mrs. LAMELA. My husband, Phillip Lamela, filed our 1984 tax return on February 1, 1985, and we did not know at that point that we would have to mail a second return, and eventually wait 29 weeks before receiving our refund.

Senator SPECTER. You mailed your first return on what date?

Mrs. LAMELA. February 1.

Senator SPECTER. February 1, 1985?

Mrs. LAMELA. Yes.

Senator SPECTER. And you were looking for a refund.

Mrs. LAMELA. Yes.

Senator SPECTER. And then you had to file again?

Mrs. LAMELA. Yes.

Senator SPECTER. When did you mail your second return?

Mrs. LAMELA. June 3.

Senator SPECTER. Of what, 1985?

Mrs. LAMELA. Yes.

Senator SPECTER. And what happened next?

Mrs. LAMELA. During this 29 weeks, I called. I was one of the people who called the 800 number.

Senator SPECTER. How many times did you call the 800 number in those 29 weeks?

Mrs. LAMELA. On the average, twice a week.

Senator SPECTER. That is 58 times. How many times did you get through?

Mrs. LAMELA. Probably a third, if that.

Senator SPECTER. What happened when you got through?

Mrs. LAMELA. Some of the people I talked to were very evasive. The office was closed, the computer was done. No one could give me information until we resubmitted. Even upon resubmitting, we did not get any information from the——

Senator SPECTER. You refiled for a refund on June 3, 1985, and what happend next?

Mrs. LAMELA. We waited. That was after waiting 16 weeks. We refiled as soon as the media said refile. Not when the IRS said refile. And I called the 800 number and asked them where to mail our return. They told me to mail it to the same address we had before. That alone was for people submitting a second return.

So ours went into the Philadelphia office. And finally we wound up being turned over to their problem resolution office. I think we got three different letters saying they were working on it, and I got a hold of someone in that office and spoke to her, and she told me that she would call me back within the hour and let me know what was going on with our return. And when she called me back, she said that ours would be mailed that Friday, and we got it the following Monday.

Senator SPECTER. And on what date did you finally get your refund?

Mrs. LAMELA. August 26.

Senator SPECTER. And what inconvenience or problems did that late refund cause for you?

Mrs. LAMELA. We have a family of 4 children. We had promised our children a trip down the coast. That was to be paid for with our income tax return.

We also purchase our children's school clothing out of this, and we look toward it as a savings account, and every year we used that for their school clothes.

Senator SPECTER. Are you counting on that savings account this year?

Mrs. LAMELA. No. This year we are claiming the maximum payroll exemptions and we are filing late.

Senator SPECTER. How much was your refund?

Mrs. LAMELA. It was $3,141.

Senator SPECTER. $3,141.

Mrs. LAMELA. Yes.

Senator SPECTER. For your children's school clothes, vacations, and you treated it like savings? And no more?

Mrs. LAMELA. No. Now we will keep it ourselves.

Senator SPECTER. Thank you for joining us. We look forward to your testimony.

Miss OBERLE. Thank you, Senator, for allowing me to share my problems with you. You do, by the way, have a copy of this letter.

My problem goes back to the 1982 income tax. In April of 1983 I filed a standard request form which was 4868, asking for the 180 days extension. At the time I figured approximately what I would owe. I added an extra amount to it, because I do not care to pay interest charges. I prefer the Government to owe me in return. That money was paid at the same time that the 4868 form was filed in April of 1983.

On September 6 or 7 of 1983, I filed a final return for the 1982 income tax, and I was owed a refund of $858.28.

Now, in December of 1983, the IRS center sent me a standard form stating that they had never received a copy of my 1982 income tax return, and they wanted it in 2 weeks. This, of course, was over the Christmas holidays.

In the interim, without going into too much detail, because I live in a very small apartment, and as everyone knows, you have minuscule amount of storage space, I had packed and sent four boxes of items, including 7 years of income tax returns, and sent them down to storage in Virginia—about 55 miles away. Consequently, in January of 1984 I responded to this Internal Revenue Service notice, advised them that I did not have immediate access to my return, but would they please look further because I really felt that the problem was at that Philadelphia office.

In February they sent me another standard form, stating that they regret the inconvenience, but they could not find my 1982 income tax return. I then had to make the trip to Haymarket, VA, go through the dusty boxes, come up with what I needed, bring them back and make copies. On either March 22 or March 23 of 1984, I sent my second copy of the 1982 income tax return. Since this was March of 1984, I wrote a letter explaining that because of the late date and because 1983 income taxes were due shortly, and since I would undoubtedly again owe more money, that they should take the $858 and apply it toward the 1983 taxes. I know that that money that I had sent for 1982 taxes was received, because I do have a record of acknowledgment of receipt from the IRS.

Now, I do not have the exact date of the 1983 tax that I filed. It was probably later in the year of 1984, because, again, what with this problem of having to get to the other 1982 income tax from the storage, and so forth, I again filed the standard 4868 form in 1984, with again extra money for the 1983 taxes. so the 1983 taxes went in, let us say, and I did not bring this exact date, because I felt I was more concerned with the 1982 taxes, but obviously for the 1983 tax, I included this extra $800 that was owed to me.

On July of this year, July 22, I received a letter from the Philadelphia center, informing me that I had underpaid my 1983 tax.

Now, mind you, this is approximately 9 months after I filed the 1983 tax. Not only do they say——

Senator **Specter**. You had a refund coming, but they had claimed you had underpaid.

Miss **Oberle**. That is right. On top of this, approximately $200 was going to be penalties and interest charges, which is about two-thirds of what they claim that I owe.

On August 1 I wrote them back, reminded them that obviously their incompetent computer, I called it, had over-looked the excess amount that I had overpaid for the 1982 taxes, and then I suggested they looked a little further, because of the excess paid for 1982 should have more than compensated for what I owed in 1983, and, actually, from the 1983 tax I was also owed a refund for that, too.

Since then I have received another letter telling me I owe money, the interest charges have gone up, the penalty charge has gone up, and it basically seems that they are still waiting for my 1982 tax return, a copy of which I have attached to a letter to you, which will be the third time I will have had to file it. I will not go into the telephone problems. I, too, have had the same problems; constantly busy. I can state that I spent one afternoon, 1 hour and 20 minutes on a 4-line phone going from one button to the other, and never got anything but a busy signal.

Senator **Specter**. And meanwhile your conversation with the busy signal and the computer goes on.

Miss **Oberle**. I have tried 10 minutes before 8 a.m. and 5:30 p.m., and I still get a busy tone.

Senator **Specter**. And the problem is still unresolved?

Miss **Oberle**. That is right.

Senator **Specter**. How do you feel about Commissioner Egger's response to this problem?

Miss **Oberle**. I feel thay can do a lot more with regard to the telephone situation. I do not feel they should be telling people in this area to call a Washington telephone number, because the Washington people can do absolutely nothing if you have filed it in Philadelphia.

Senator **Specter**. Did you actually feel you would be getting a chance to tell it to the Commissioner?

Well, thank you all very much. We all appreciate your coming. You are just representatives of so many people whom we have heard on these problems. This subcommittee will continue to get some responses from the Internal Revenue Service, because it is a mammoth problem for the Congress as a whole, and everybody who has to deal with the Internal Revenue Service. So thank you very much for your cooperation.

[Whereupon, at 1:25 p.m., the subcommittee adjourned, subject to the call of the Chair.].

[Additional statement submitted for the record.]

New Continental Congress

499 South Capitol Street, S.W.
Suite 420, Fairchild Building
Washington, D.C. 20003
202-484-2300

November 19, 1985

Honorable Arlen Specter
United States Senate
Administrative Practice and Procedure Subcommittee
SH-229 Hart Senate Office Building
Washington D.C. 20510

Dear Senator Specter:

As you might know, I have spent many years as a Member of Congress, thoroughly investigating and, in consequence of my findings, criticizing the scandalous administration of our tax laws by the Internal Revenue Service. In fact, my book, To Harass Our People, which details IRS abuse of taxpayers, is in its fourth edition and has been the foundation of many media exposés such as CBS Sixty Minutes and Parade Magazine.

The alarming eruption this year of wholesale inefficiency and misconduct by the Service, therefore, is neither surprising nor unexpected. And, based upon years of study, I am not persuaded that the assertions by the IRS are true about the volume of misconduct, or that it is restricted to employees on the lowest level of responsibility. I can say that, on every occasion where we have uncovered IRS misconduct in the past, we were met with exactly the same evasions publicly used by the Service during this year to excuse and explain away its mishandling of returns and refunds.

Even worse, information has now come into my hands which confirms what years of experience warned me was the fact. Substantial documentation now in my possession clearly places the volume of destruction of records in the tens of thousands, if not hundred of thousands.

Moreover, these destructions did not occur, in the main, because of employee misconduct at the ministerial level. They occurred as a result of constant, intentional refusal of the upper management of the IRS to properly use the tools made available to them, at their own insistance, by the Congress at enormous cost to the taxpayers. Of course, it is those very taxpayers who are caught in these continous malfeasances by the IRS.

The IRS alleges that it was the new computer equipment which caused their performance lapses this year. I can now prove that thousands of tax documents were lost before the new equipment ever came on line. Worse, the supplier of that equipment took what can only be called extraordinary measures, largely cost-free to the IRS, to overcome IRS management incompetence. Documentation now in hand puts it beyond doubt that the fault lies in the IRS, not in any computer supplier.

Despite what the IRS has publicly stated, it now has four computer systems in use in its processing procedures, not just one or two, as they have given the public to believe. I have long argued on the basis of evidence in hand, that the IRS is, in contravention of law and the will of the Congress, compiling dossiers on most Americans. Now, with this year's belated revelation of the May, 1984 IRS Five Year "Strategic Plan" (No. 6941) and press stories of massive accumulation of personal data on taxpayers, it becomes increasingly clear that much of the IRS computer capacity is put to that use in derogation of its duty to process and properly dispose of tax returns.

I now have evidence, and will be in receipt of more, which shows that the IRS has let contracts for computer equipment on a sole source basis with foreign suppliers. This appears to violate existing laws in this regard. But, more important, it has the aura of semi-secret acquisition for purposes which will not stand public scrutiny.

As the exposure of this IRS incompetence continues to unfold in creditable publications such as your own *Philadelphia Inquirer*, it is no longer possible to allow the cover-up of such gross mismanagement, activities foreign to our national spirit, and secretive procurement of suspiciously duplicate computer capacity so clearly aimed at prohibited information-gathering in gross violation of our rights to privacy -- all at the expense of efficient and proper processing of tax returns under the laws established by Congress.

Obviously, we are talking here about horror stories resulting from IPS abuses, but, more importantly, we are talking about evidence of IRS intentions, which they have hidden from the Congress and the people, which would corrupt our very political system.

I commend you and your subcommittee for conducting today's public airing of these charges which won't go away and which seriously infect the process of collecting taxes. Certainly, it is beyond time for a full Congressional investigation of where is the IRS going, and your public hearing on these charges can do much to get to the bottom of things and bring about much needed reform.

For the sake of our country and its people, I strongly support the positive action you are taking and stand ready to provide documentation of my charges and such witnesses as you may desire.

Let me summarize what a very brief investigation has produced.

First, the losses of records are somewhere between ten and a hundred times as numerous as admitted by the IRS. This is already documented.

Second, these losses have literally no relation to the quality of the computers purchased by the IRS. They are, in addition, the fault of the top management in the IRS, not lower level personnel. As an aside, I have been arguing for years that the IRS uses a quota system for its employees which has had a devastating impact on taxpayers. Now, to cover yet another IRS disaster, IRS officials frankly admit that the quota system is in effect and blame their current problems on that very system.

Third, the IRS has been sole-sourcing additional computer capacity from foreign vendors without public knowledge, and at considerable cost to our balance-of-trade and to the confidentiality of those records.

Fourth, there is now substantial evidence that the IRS is compliling dossiers on substantially all taxpayers, despite years of adamant denials that they had any intentions to do such dossier building.

The situation has reached the point where Congress can no longer ignore what is becoming a monumental public scandal. The IPS is ignoring the will of the people in building "spy files" on our own citizens. It is lying about its own intentions. Even then its competence is clearly questionable.

Respectively yours,

George Hansen
Former Member of Congress
President, New Continental Congress

Attested:

Paul DesFosses
President, National Coalition of IRS Whistleblowers